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*Office of Budget
Department of the Navy*



***FY 1999
Department of the Navy Budget***

***Submission
to the
Secretary of Defense***

September 1997

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DEPARTMENT OF THE NAVY
OFFICE OF THE SECRETARY
1000 NAVY PENTAGON
WASHINGTON, D.C. 20350-1000

26 September 1997

MEMORANDUM FOR SECRETARY OF DEFENSE
DEPUTY SECRETARY OF DEFENSE

FROM: John H. Dalton *John H. Dalton*
Secretary of the Navy

SUBJECT: FY 1999 Department of the Navy Budget

DISCUSSION: This balanced Department of the Navy budget for FY 1999, although austere, provides a resource allocation which fully supports the goals and objectives established through the Quadrennial Defense Review (QDR), and is fully consistent with our program submission made pursuant to the Defense Planning Guidance (DPG). The capabilities reflected in our Naval forces are both historically and prospectively congruent to all elements of the **Shape . . . Respond . . . Prepare** Defense strategy. It should be viewed with no surprise then that our budget proposals, as with our program submission, do not make a substantial departure from previously approved plans. Instead, our budget is focused on ensuring the executability and achievement of our programs. As directed in your DPG, we have examined operations and support (O&S) shortfalls that in past years dictated migration from investment accounts. We have dedicated the resources needed to maintain high levels of readiness and sustainability, thus allowing more realistic commitments to investments in the capabilities needed to defeat future threats. This more realistic commitment, however, is dependent on a significant change in the current resource/requirement dynamic. The paragraphs below outline the changes in this dynamic which we have incorporated in this budget, and our plan for the future to reduce the demand for resources. However, we have had to make some short-term sacrifices to achieve a balanced program. In view of this accommodation, we have identified areas of immediate benefit if additional funding were available. Those areas are listed, in priority order, at attachment 1.

Our budget for O&S has been balanced through a combination of reduced requirements, resulting from smaller force levels directed by the QDR and DPG and, where necessary, the addition of resources to ensure remaining requirements are adequately financed. Although the inventory of battle force ships and aircraft will be reduced significantly, we have added more than \$360 million for ship and aircraft operations in FY 1999, thus ensuring adequate resources for traditional peacetime operating requirements. The budget also provides the resources necessary to realistically fund ship and aircraft depot maintenance requirements through the FYDP, adding more than \$150 million above the previously budgeted

SUBJECT: FY 1999 Department of the Navy Budget

level for depot maintenance in FY 1999. Savings from a Navy end strength reduction of almost 12,000 in FY 1999 have been reinvested in shaping the resulting force and properly funding the Military Personnel account, and an additional \$156 million has been added over last year's estimate. Even with significant reprogrammings in recent years, our people have felt the ill effects of inadequate funding in such areas as advancement and relocation. It is imperative I take action to remedy this.

Our future ability to fund O&S at the amounts necessary to ensure high levels of readiness and sustainability, while at the same time committing significant resources to acquiring the technologically advanced weapons systems necessary to meet future threats, will depend on changes to the way we do business and the overall level of resources dedicated to Naval forces. One such change must be in our ability to operate and support our forces more efficiently. Our budget continues to reflect the importance of Base Realignment and Closure (BRAC) efforts begun in past years, and the criticality of Outsourcing and Privatization efforts in future years. Additionally, the Department of the Navy has several initiatives in this budget which will reduce the size of infrastructure and allow us to reduce the operating costs of our combatant forces.

- This budget includes a regional maintenance pilot project at Pearl Harbor's Intermediate Maintenance Facility and Naval Shipyard that will merge the two organizationally and transition the merged activity to mission funding. This project will foster our efforts to regionalize maintenance infrastructure by eliminating artificial barriers to effective workload management.
- We are continuing action to restructure the Naval Ordnance Center. When complete, we hope to have eliminated or transferred all but core ordnance sustainment efforts for which we can more closely and successfully manage costs.
- Our budget includes the following resources for Environmental Restoration, Navy (ERN):

FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
\$277.5	\$287.6	\$307.0	\$310.0	\$408.8	\$355.2

This funding profile is sufficient to meet our legal agreements, assuming continued success in implementing relative risk management and renegotiating existing agreements. We have refined our estimates of the costs of cleaning up BRAC sites and have provided additional funding in that account for FY 1999 - FY 2001. This has

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allowed us to reduce ERN funding in this budget for FY 2002 and FY 2003 below the levels provided in PR-99 and still meet Defense Planning Guidance goals.

- Our budget also provides the resources necessary to exploit the revolution in military affairs. For example, funding proposed for Navy communications, command, control, computers, and intelligence (C⁴I) programs will facilitate the transformation of traditional warfighting via a new operational concept called "network-centric" warfare. The Navy's Information Technology for the 21st Century (IT-21) architecture will provide the common backbone for inter-netted C⁴I systems. Marine Corps C⁴I modernization will also reflect an emphasis on communications and electronics initiatives to ensure connectivity and interoperability on the battlefield. The Maritime Fire Support demonstrator will illuminate lessons applicable to future surface combatants. The "Smart Ship" project, being tested aboard the Aegis cruiser *Yorktown* (CG-48), also explores reduced manning initiatives for application on existing and future ships, a critical necessity for our future.

However, the efficiencies proposed in this budget will not be sufficient to reduce costs to the levels necessary to adequately fund our long-term recapitalization requirements. We need the authority for further base closures that you have proposed to Congress, and urge you to continue your strong leadership in this regard.

We also continue to pursue efficiencies in our acquisition programs. For example, in order to make the most of available resources, we propose to maximize the use of multiyear procurement. In addition to the *Arleigh Burke* class destroyer, already being procured on a multiyear basis, our budget proposes five new multiyear programs: E-2C, F/A-18E/F, AV-8B, T-45TS, and Medium Tactical Vehicle Replacement. Savings from these additional multiyear procurements are expected to exceed \$1 billion. In other acquisition programs, we will continue to exploit new relationships with and among our shipbuilding partners, lowering the cost of all surface and submarine programs to the minimal levels needed to sustain industry and deliver needed weapons platforms. The cost of operating new platforms and systems is being given prominent consideration in every acquisition decision. In procurement, our acquisition profiles remain generally consistent with the direction provided in the QDR and reflected in our program submission. To ensure that our recapitalization program replaces aging systems with technologically superior systems able to defeat emerging threats, we have increased funding for research and development. Our RDT&E budget is now more than \$250 million higher than it was for FY 1999 in the last budget. Within the Science and Technology portion of

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the account, however, we have been able to afford only minor increases to our recent program submission, resulting in a conservative profile that keeps pace with inflation across the FYDP.

Recent Congressional action on our FY 1998 request will undoubtedly require reconsideration of certain funding profiles, especially in shipbuilding and other acquisition programs. One critical question is how we respond to the inclusion of \$50 million for the CVN-77 "Smart Buy" proposal. The approval of FY 1998 funding for this program was made after our budget decisions were finalized, and the program submitted here is consistent with our prior program proposals. Nonetheless, the implications for savings through "Smart Buy" are very attractive to the Department. We would need to address soon any changes to our funding plan for this ship to take advantage of these savings. We will be prepared to assist in the identification of needed actions here and in other programs during your review process, as they may place additional demands on FY 1999 resources. The candidate areas identified in attachment 1 also deserve consideration in this context. The actions taken in final appropriations action, and to be taken in authorization wrap-up, will give us a clearer idea of the how Congress would intend to shape our future Defense budgets. Since the new budget agreement brings the Administration and Congress together on the Defense topline, it becomes more critical that our budget proposals are viewed as responsive to legislative mandates while still reflecting our own priorities. I believe our staffs can work together on these and other ideas in your coordination process to ensure Congress sees our budget proposal for FY 1999 as a reasonable approach to achieving consensus priorities.

The required exhibits detailing our complete budget are being provided separately to your staff. I have included as a second attachment to this memorandum a summary of the Department of the Navy budget and will be happy to provide any additional information you or your staff may require.

Attachments:

1. Candidates for Resource Enhancements
2. Highlights of Department of the Navy FY 1999 Budget

Candidates for Resource Enhancements

- **Facilities:** Military construction, family housing replacement, and real property maintenance have become lower resource priorities in the face of prior BRAC implementation and current QDR goals. It is clear from Congressional action on FY 1998 that these priorities are not fully shared by the legislative branch. As currently constructed our FY 1999 budget will be similarly criticized, and would likely be increased in accordance with legislative branch perspectives. In developing the final President's Budget for FY 1999, the opportunity may exist to reflect our own priorities for likely facility resource levels in the baseline presented to Congress. If these expected levels are determined to be affordable, we can beneficially accelerate about \$400 million in military construction and housing projects, and have identified efforts to reduce our maintenance backlog totaling \$200 million.
- **Modernization:** We are planning several critical force modernization efforts in this budget for FY 1999 and the future, but affordability considerations limit the pace at which we address them. Additional funding, primarily in FY 1999, will allow us to reflect significantly more responsive progress in such areas as IT-21 and Smart Ship enhancements. The benefits of such investment efforts extend well into the next century. Even though they promise no monetary payoff within the FYDP, earlier attainment of the efficiency and effectiveness improvements is highly desirable.
- **Naval Ordnance Center Restructure:** This budget reflects significant restructuring of our ordnance establishment to provide better management in the future, but we have had to stop short of reflecting the realignment of our remaining Weapons Station activities from the Naval Working Capital Fund because of budgetary scoring. The implementation of our proposal will require the realignment/identification of less than \$100 million in additional budget authority. There are, however, no real costs of the proposal, which is of critical importance to our Fleet Commanders.

Candidates for Resource Enhancements

- **Maritime Technology:** By memo of 14 July 1997, USD(A&T) requested that the Navy take the lead in a post-MariTech program, which has been under DARPA auspices until this point. We have not had an opportunity to fully explore how DON should carry out this request, or to arrange for the realignment of funding this would entail. There is, however, sustained Congressional interest in the program and several beneficial efforts that can be pursued.
- **Acquisition Enhancement:** Acquisition programs in FY 1999 have been severely constrained by the actions necessary in this budget. Our long-term recapitalization efforts could benefit significantly from higher immediate investment levels. Multiyear proposals such as the E-2C, could offer higher total savings if more economic order quantity procurement was used. Acceleration of quantities in certain aircraft programs would result in earlier completion and even greater line close-out savings. In programs such as F/A-18 E/F and V-22, we are early enough in the program that additional engineering and manufacturing investments now can result in real efficiencies through much lower life-cycle support costs. Additional efforts such as these can provide additional credibility to our near-term modernization program, while generating additional flexibility to meet our longer-term recapitalization efforts beyond the FYDP.

HIGHLIGHTS OF THE DEPARTMENT OF THE NAVY

FY 1999 BUDGET

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SECTION I - FINANCIAL SUMMARY

FOREWORD

The purpose of this document is to provide a summary of the Department of the Navy's (DON) FY 1999 budget to assist the staffs of the Office of the Secretary of Defense and the Office of Management and Budget in their review of the Department's request. The material contained in this document is not classified, however, it is for official use only and is not releasable outside the Executive Branch.

The DON submission is in full compliance with the DOD strategy, objectives and Corporate Goals outlined in the Quadrennial Defense Review, Defense Planning Guidance and other guidance memoranda. The budget continues to reflect investment of resources necessary to effect our recapitalization strategy while adequately addressing operations and support needs. As can be seen in chart 1, our overall resource trend, adjusted for inflation, is projected to remain flat. However, as we continue to shed excess infrastructure and become more efficient in the manner in which we operate and support our forces while maintaining required military capabilities in all mission areas, a larger proportion of funds will become available for our investment strategy.

Chart 1 - DON Topline FY 1997 - FY 2003

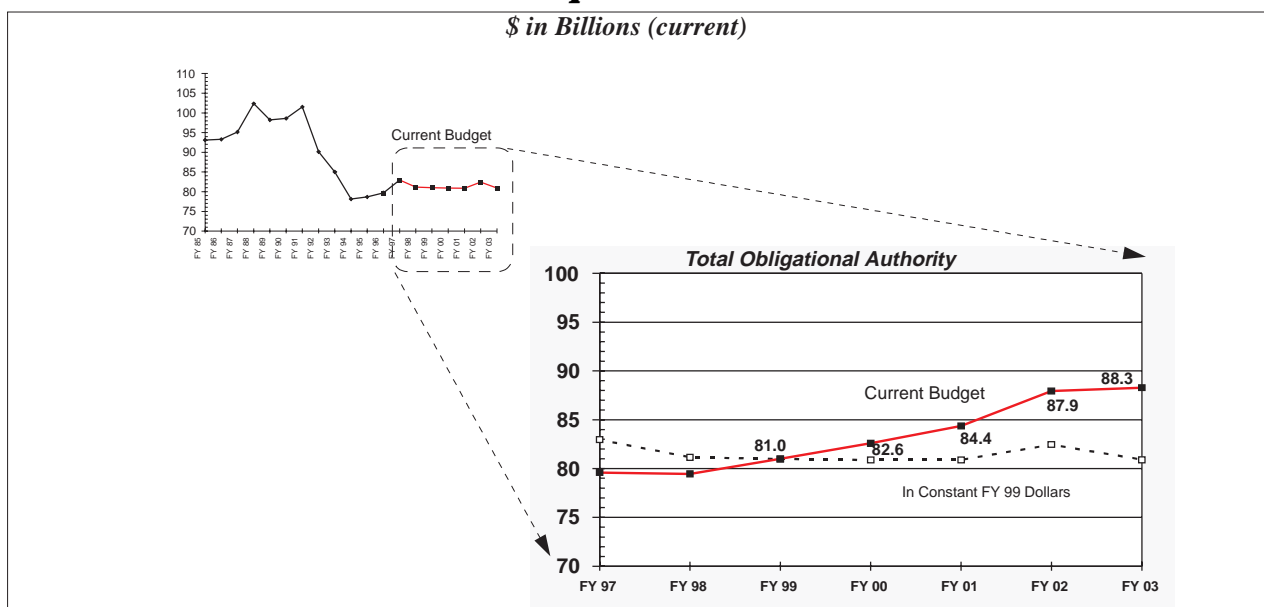


Chart 1 reflects Department of the Navy resources in both current and constant dollars from FY 1997 through FY 2003. The smaller chart provides an historical perspective in constant dollars from FY 1985 through FY 2003.

APPROPRIATION SUMMARY FY 1997 - FY 1999

Table 1

Department of the Navy
FY 1999 Budget Summary by Appropriation
(In Millions of Dollars)

	FY 1997	FY 1998	FY 1999
Military Personnel, Navy	17,030.1	16,664.7	16,543.6
Military Personnel, Marine Corps	6,018.1	6,123.3	6,265.9
Reserve Personnel, Navy	1,419.4	1,375.4	1,375.4
Reserve Personnel, Marine Corps	393.8	381.1	399.6
Operation and Maintenance, Navy	21,115.7	21,640.6	21,965.4
Operation and Maintenance, Marine Corps	2,346.7	2,310.9	2,427.1
Operation and Maintenance, Navy Reserve	890.2	832.1	948.2
Operation and Maintenance, Marine Corps Reserve	109.7	110.4	116.6
Environmental Restoration, Navy	—	277.5	287.6
Kaho'olawe Island	55.1	10.0	—
Aircraft Procurement, Navy	6,784.1	6,027.4	7,183.6
Weapons Procurement, Navy	1,358.4	1,145.3	1,325.2
Shipbuilding and Conversion, Navy	5,479.6	7,438.2	5,957.0
Other Procurement, Navy	2,883.9	2,813.4	4,015.2
Procurement, Marine Corps	580.7	374.3	718.5
Procurement of Ammunition, Navy and Marine Corps	283.6	327.8	448.4
Research, Development, Test & Evaluation, Navy	7,931.6	7,616.6	8,023.7
National Defense Sealift Fund	1,392.1	1,191.4	622.4
Military Construction, Navy	707.1	540.1	482.2
Military Construction, Naval Reserve	37.6	13.9	15.3
Family Housing, Navy and Marine Corps	1,521.4	1,255.4	1,229.6
Base Realignment and Closure	1,225.7	990.5	638.9
To Be Determined		-163.6	
TOTAL	\$79,564.6	\$79,296.7	\$80,989.5

Table 1 summarizes estimates for this submission by appropriation. Summaries for the individual appropriations may be found in the Appendix to this document.

Table 2 displays a track of FY 1998 appropriation changes since submission of the FY 1998/FY 1999 President's Biennial Budget request. Certain appropriations have been adjusted to reflect the impact of revised foreign currency rates per the June 3, 1997 Budget Amendment. The following proposed reprogrammings are included in FY 1998 Budget Estimates:

- ◆ A \$24.3 million realignment from Military Personnel, Marine Corps to Operation & Maintenance, Marine Corps (O&M,MC) based on early implementation of a Quadrennial Defense Review decision to attain target force structure levels, reduce infrastructure, and incorporate manning efficiencies.
- ◆ Realignment of \$52.3 million from Aircraft Procurement, Navy (APN) to Operation & Maintenance, Navy (O&M,N) to finance additional aviation depot level repairable requirements which could not be filled in FY 1997 in the Flying Hour Program, and a realignment of \$5.6 million from APN to Research, Development, Test & Evaluation, Navy related to the restructure of the UH-1N COMNAV Operational System Improvement Program to fund the H-1 Upgrade Program (4BN/4BW).
- ◆ Realignment of \$14.7 million from O&M,MC and \$2.6 million from Operation & Maintenance, Navy Reserve to O&M,N to centrally align funding associated with Supervision, Inspection & Overhead services.
- ◆ Realignment of \$12.1 million from Other Procurement, Navy (OPN) to O&M,N to finance critical safety efforts at the Navy Crane Center and management support .
- ◆ A \$9.0 million realignment from Procurement of Ammunition, Navy & Marine Corps to Weapons Procurement, Navy for more economic SLAM-ER procurement.
- ◆ A planned reprogramming of \$163.6 million has been incorporated into the Military Personnel, Navy estimates to support an adequate and executable program, of which, \$20 million has been identified (\$8.3 million, APN; \$8.1 million, OPN; \$3.6 million PANMC). The balance will be identified after appropriation action is completed.

Table 2

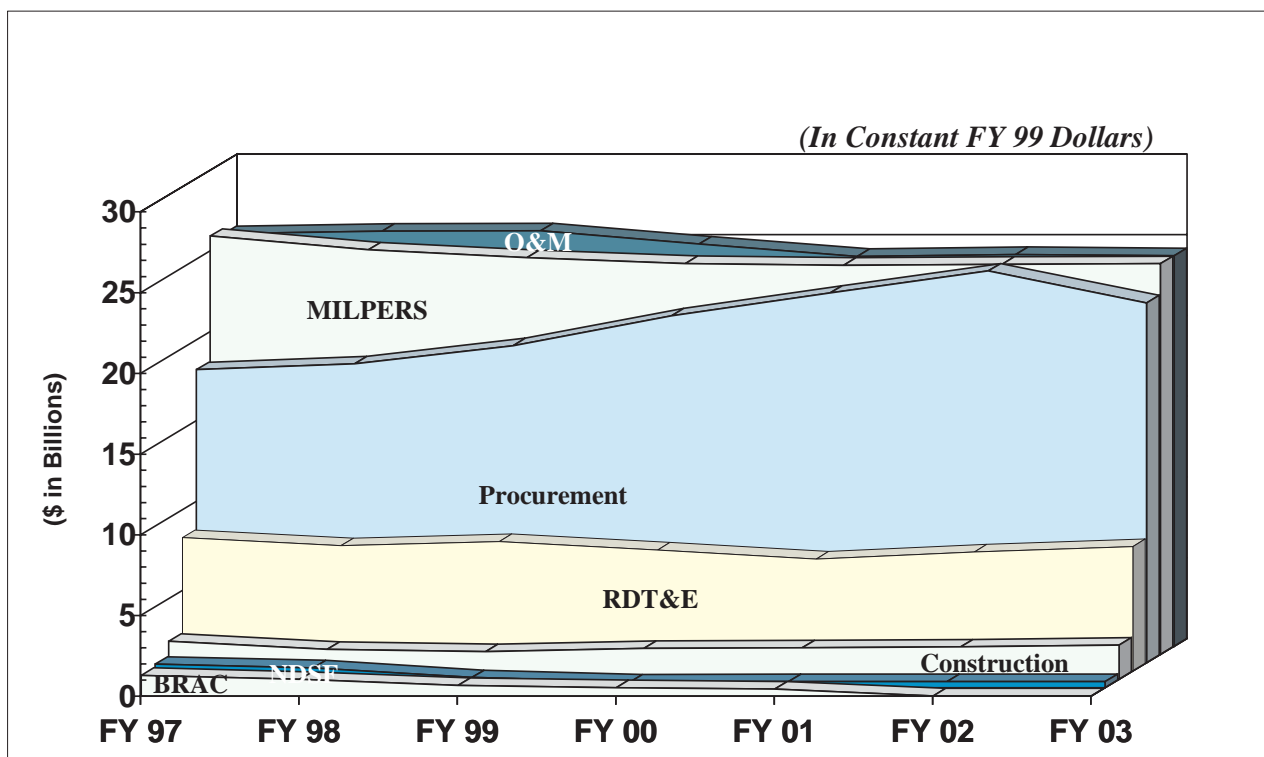
Department of the Navy
FY 1999 Budget Summary
Derivation of FY 1998 Estimates

	FY 1998 President's Budget	Budget Amend- ment	Transfers or Realign.	FY 1998 Current Estimate
Military Personnel, Navy	16,510.1	-9.0	163.6	16,664.7
Military Personnel, Marine Corps	6,151.6	-4.0	-24.3	6,123.3
Reserve Personnel, Navy	1,375.4	—	—	1,375.4
Reserve Personnel, Marine Corps	381.1	—	—	381.1
Operation and Maintenance, Navy	21,581.1	-23.0	82.4	21,640.6
Operation and Maintenance, Marine Corps	2,305.3	-4.0	9.6	2,310.9
Operation and Maintenance, Navy Reserve	834.7	—	-2.6	832.1
Operation and Maintenance, MC Reserve	110.4	—	—	110.4
Environmental Restoration, Navy	277.5	—	—	277.5
Payment to Kaho'olawe	10.0	—	—	10.0
Aircraft Procurement, Navy	6,086.0	—	-58.6	6,027.4
Weapons Procurement, Navy	1,136.3	—	9.0	1,145.3
Shipbuilding and Conversion, Navy	7,438.1	—	—	7,438.1
Other Procurement, Navy	2,825.6	—	-12.1	2,813.4
Procurement, Marine Corps	374.3	—	—	374.3
Procurement of Ammunition, Navy and MC	336.8	—	-9.0	327.8
Research Development, Test & Eval, Navy	7,611.0	—	5.6	7,616.6
National Defense Sealift Fund	1,191.4	—	—	1,191.4
Military Construction, Navy	540.1	—	—	540.1
Military Construction, Naval Reserve	13.9	—	—	13.9
Family Housing, Navy and Marine Corps	1,255.4	—	—	1,255.4
Base Realignment and Closure (II, III, IV)	990.6	—	0.0	990.6
To Be Determined			-163.6	-163.6
TOTAL	\$79,336.7	\$-40.0	\$0	\$79,296.7

RESOURCE TRENDS

Chart 2 is a graphic representation of Department of the Navy resource trends from FY 1997 through the end of the current Future Years Defense Plan (FYDP). Commensurate with the end of the cold war, DON budgets continue to reflect a significant downsizing of our forces and a concomitant reduction in funding. Increases in funding for Operation and Maintenance above previous FYDP levels are required to maintain high levels of readiness and sustainability. These increases are primarily accommodated by reductions in force structure. Procurement accounts continue to pursue a focused modernization effort that maintains our qualitative superiority in key warfighting capabilities and reflects our recapitalization strategy as new weapons systems, such as the new attack submarine (NSSN), LPD-17, F/A-18E/F, and V-22 begin production.

Chart 2 - Trendlines FY 1991 - FY 2003



SECTION II - READINESS

Our battle force ship, aviation units and Marine forces support the DOD Corporate-level goal to shape the international environment and respond to the full spectrum of crises by providing appropriately sized, positioned and mobile forces.

SHIP OPERATIONS

Battle Force Ships

The size of the deployable Battle Force will be significantly reduced by the end of FY 1999. This decrease is possible because of the multi-purpose capability of ships being added to the inventory, as well as the assumption of a major portion of the combat logistics force mission by the Military Sealift Command which requires fewer ships to provide similar capabilities. The budget provides for a deployable Battle Force (including Reserves) of 354 ships by the end of FY 1997, 333 ships by the end of FY 1998, and 314 ships by the end of FY 1999. This level will support 12 aircraft carrier battle groups and 12 amphibious ready groups.

The FY 1998 inactivation of 28 ships is partially offset by the commissioning of seven new construction ships, including one nuclear aircraft carrier, three *Arleigh Burke* class guided missile destroyers, one amphibious assault ship, one amphibious dock landing ship, and one fast combat support ship.

The FY 1999 inactivation of 26 ships is partially offset by the activation of one Military Sealift Command operated fleet oiler and the commissioning of six new construction ships, including four *Arleigh Burke* class guided missile destroyers, one oceanographic survey ship, and one *Seawolf* class nuclear attack submarine. Table 3 summarizes Battle Force ship levels.

Table 3**Department of the Navy
Ship Operations**

	FY 1997	FY 1998	FY 1999
Battle Force Ships	(354)	(333)	(314)
<i>Aircraft Carriers</i>	12	12	12
<i>Fleet Ballistic Missile Submarines</i>	18	18	18
<i>Surface Combatants</i>	128	117	116
<i>Nuclear Attack Submarines</i>	73	65	56
<i>Amphibious Warfare Ships</i>	41	40	39
<i>Combat Logistics Ships</i>	40	39	34
<i>Mine Warfare Ships</i>	16	16	16
<i>Support Ships</i>	26	26	23

OPTEMPO

For FY 1999, deployed ship operations are budgeted to maintain highly ready forces, prepared to operate jointly to perform the full-spectrum of military activities, and to meet forward deployed operational requirements and overseas presence commitments in support of the National Military Strategy. The budget provides funds necessary to achieve the Department's OPTEMPO goals of 50.5 underway days per quarter for deployed forces and 28 underway days per quarter for non-deployed forces. Additional deployed underway days in FY 1997 in support of contingency operations in Bosnia and Southwest Asia were funded from the Overseas Contingency Operations Transfer Fund (OCOTF) as appropriated by the Congress. FY 1998 contingency requirements for Bosnia are also included within the OCOTF request. Underway days for Southwest Asia contingency operations during FY 1998 and FY 1999 are supported within this budget. Non-deployed Fleet OPTEMPO provides primarily for the training of fleet units when not deployed, including participation in individual unit training exercises, multi-unit exercises, joint exercises, refresher training, and various other training evolutions. Non-deployed Fleet OPTEMPO levels are considered the minimum required for maintaining a combat ready and rapidly deployable force. Chart 3 illustrates historical and budgeted OPTEMPO.

<i>Planned Joint Exercises</i>	67
<i>Average number of ships forward deployed:</i>	117
<i>Average number of personnel on forward deployed ships:</i>	53,141
<i>Average number of USMC personnel stationed overseas:</i>	16,967

Reserve Battle Force Ships

The Naval Reserve Force will consist of 18 Battle Force ships in FY 1998 and FY 1999. The Naval Reserve has transitioned from primarily a frigate force to multiple class ships. The Naval Reserve now has ten frigates, 1 CV, 2 LSTs, 1 MCS, and 4 MCMs. This expansion allows the Naval Reserve Force to augment the active force and achieve personnel tempo goals. The CV is budgeted at 28 steaming days per quarter starting in FY 1999, and the remaining Naval Reserve Force ships are budgeted at 18 steaming days per quarter.

Table 4 reflects Reserve battle force ships and steaming days per quarter.

Chart 3 - Active Force OPTEMPO

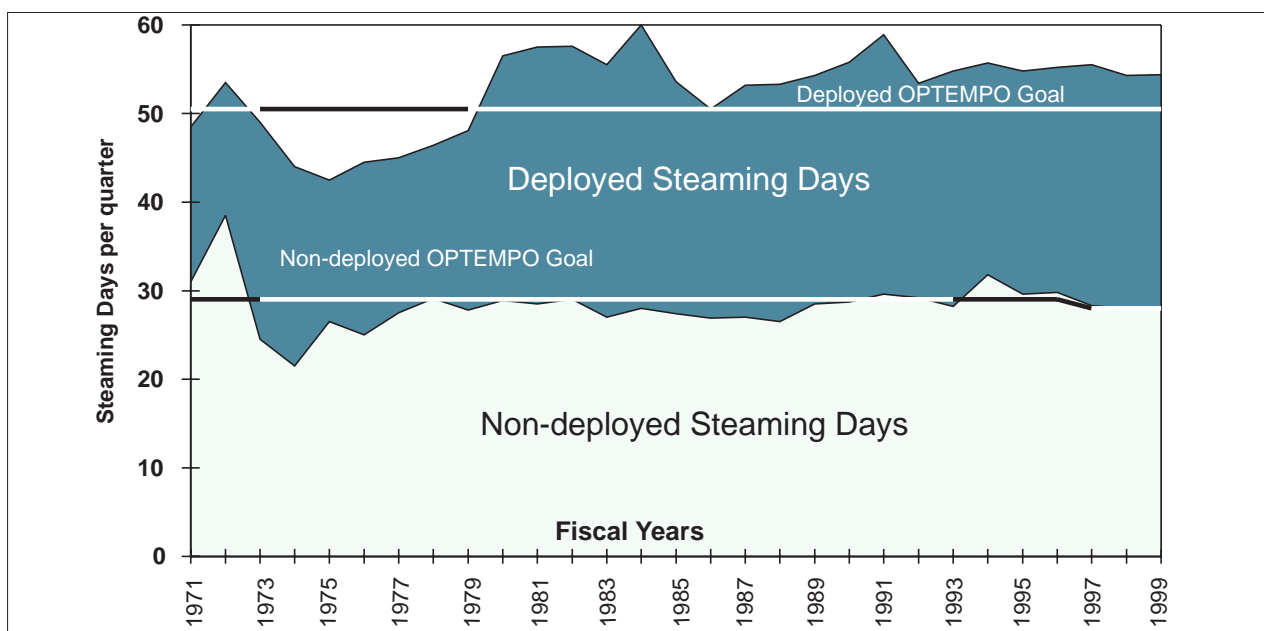


Chart 3 reflects historical ship OPTEMPO steaming days per quarter deployed and non-deployed. Also, displayed as horizontal lines are the deployed and non-deployed budgeted goals. Fluctuations from the goals reflect real world operations, FY 1997 estimated days at 55 per quarter, and FY 1998 and FY 1999 budgeted days at 53.5 days per quarter to include known contingencies.

Table 4

Department of the Navy
Significant Naval Reserve Force Factors

	FY 1997	FY 1998	FY 1999
Reserve Battle Force Ships	(18)	(18)	(18)
Reserve Operational Carrier	1	1	1
Surface Combatants	10	10	10
Amphibious Ships	2	2	2
Support/Mine Warfare	5	5	5
Steaming Days Per Quarter			
Reserve Operational Carrier	31	31	28
Other Naval Reserve Force Ships	18	18	18

Mobilization

Mobilization forces are maintained for rapid response to unforeseen contingencies throughout the world. The Mobility Requirements Study (MRS) and the Mobility Requirements Study Bottom-Up Review Update (MRS-BURU) recommended additional sealift capacity. Sealift assets include both prepositioning and surge ships. Operating costs of prepositioning ships and exercise costs for surge ships are reimbursed to the National Defense Sealift Fund (NDSF) by the operations account of the requiring Defense component, as parenthetically noted in table 5 below. Department of the Navy O&M appropriations reimburse the biennial exercise costs of the Hospital Ships and the Aviation Maintenance Ships, and will continue to fund the daily operating costs of the Maritime Prepositioning Ships (MPS). Each of the three MPS squadrons is equipped to support a Marine Air-Ground Task Force or Brigade equivalent for 30 days. A prepositioned ammunition ship, which will provide an in-theater ordnance stockpile for USCENTCOM, and two Maritime Prepositioned Force Enhancement Ships will be added in FY 1999. NDSF will assume direct funding responsibility for the Reduced Operating Status (ROS) of all surge ships (FSS, LMSR, T-AH, T-AVB) in FY 1998. NDSF currently funds all Ready Reserve Force ships. A significant enhancement to the Surge Sealift fleet will come on-line in FY 1999, with the delivery and initial operation of the first 2 of 11 Large Medium-Speed Roll-on Roll-off vessels.

Table 5 displays the composition of Navy mobilization forces.

Table 5

Department of the Navy Mobilization

Strategic Sealift (# of ships)	FY 1997	FY 1998	FY 1999
<i>Prepositioning Ships:</i>			
Maritime Prepo Ships (Navy O&M)	13	13	15
Hospital Shuttle/Prepo (Navy O&M)	1	1	0
CENTCOM Ammo Prepo (Navy O&M)	0	0	1
Army Prepo Ships (Army O&M)	16	16	16
Air Force Prepo Ships (Air Force O&M)	3	3	3
DLA Prepo Ships (DLA)	3	3	3
<i>Surge Ships:</i>			
Aviation Logistics Support (Navy*)	2	2	2
Hospital Ships (Navy*)	2	2	2
Fast Sealift Ships (Navy*)	8	8	8
Ready Reserve Force Ships (NDSF)	94	96	96
Large Medium-Speed RORO Ships (NDSF)	0	0	2
* Funding for Navy Surge assets transfer from Navy O&M to NDSF in FY 1998.			
<i>Surge Sealift capacity (million of square feet)</i>	<i>6.8</i>	<i>7.2</i>	<i>7.8</i>

Ship Depot Maintenance

The FY 1999 budget will satisfy approximately 97% of requirements for active forces ship depot maintenance and 91% for Reserve forces. This submission represent a departure from the past methodology of funding ship depot maintenance to a percentage of notional mandays required for a particular class of ship. For this budget the two fleets performed an in-depth, hull by hull assessment of essential maintenance required, and the budget is based upon these 'scrubbed' requirements. Funding in FY 1999 also includes realignments necessary to implement the Pearl Harbor Pilot project which merges the Intermediate Maintenance Facility and Pearl Harbor Naval Shipyard into a Regional Maintenance Center to be operated by the Commander in Chief, Pacific Fleet. In addition, the budget includes funding in the Shipbuilding and Conversion, Navy account in FY 1998 for the *Nimitz* (CVN-68) refueling complex overhaul.

Tables 6 and 7 display active and reserve ship depot maintenance.

Table 6

Department of the Navy
Active Forces Ship Depot Maintenance
(In Millions of Dollars)

	FY 1997	FY 1998	FY 1999
Ship Depot Maintenance	1,762.4	1,985.8	2,125.1
Depot Operations Support 1/	1,174.2	779.3	1,197.5
Total: Ship Maintenance (O&MN)	\$2,936.6	\$2,765.1	\$3,322.6
CVN Overhauls (SCN)	\$231.7	\$1,707.9	\$236.5
No. of Ship Overhauls (Units)	5	6	9
Ship Overhaul Backlog (Units)	-	-	-
Estimated No. of RA/TA (Units)	99	89	85
Percentage of Requirement Funded	100%	96%	97%

1/ FY 1997 Depot Operations Support includes \$348.1 million of Congressionally directed Navy Working Capital Fund surcharge.

Table 7

Department of the Navy
Reserve Depot Maintenance
(In Millions of Dollars)

	FY 1997	FY 1998	FY 1999
Reserve Ship Depot Maintenance	\$79.1	\$68.3	\$98.1
Percentage of Requirement Funded	100%	87%	91%

AIR OPERATIONS

Tactical Air Forces

This budget provides for the operation, maintenance and training of ten active Navy carrier air wings and three Marine Corps air wings. Naval aviation is divided into three primary mission areas: Tactical Air/Anti-Submarine Warfare (ASW), Fleet Air Support, and Fleet Air Training. Tactical air squadrons conduct strike operations, flexibly dealing with a wide range of threats identified in the national military strategy, and provide long range and local protection against airborne and surface threats. Anti-Submarine Warfare squadrons locate, destroy and provide force protection against sub-surface threats, and conduct maritime surveillance operations. Fleet Air Support squadrons provide vital fleet logistics support. Fleet Readiness Squadrons provide the necessary training to allow pilots to become proficient with their specific type of aircraft and transition to fleet operations.

One Navy EA-6B squadron will stand-up in FY 1998 to support the electronic countermeasures mission formerly provided by Air Force EF-111A forces. While there is no change in the number of squadrons as a result of the Quadrennial Defense Review, aircraft force structure adjustments have been incorporated beginning in FY 1998.

The total number of active aircraft will decrease from 2,559 in FY 1997 to 2,510 in FY 1999.

Reserve Air Forces

Reserve aviation has expanded its role by accepting more missions from the active force. The Reserves currently provide 100% of the Navy's adversary and outconus logistics requirements and a portion of the electronic training and counter narcotics missions. In addition, all active and reserve airborne mine countermeasures squadrons have been consolidated. These are all part of the Navy's effort to employ Reserve Forces to meet operational requirements.

Table 8 reflects active and reserve air operations.

Table 8**Department of the Navy
Air Operations**

	FY 1997	FY 1998	FY 1999
Air Forces - Active	13	13	13
Tactical Air Wings (Navy)	10	10	10
Air Wings - (Marine)	3	3	3
Air Forces - Reserve	2	2	2
Tactical Air Wings (Navy)	1	1	1
Air Wings (Marine)	1	1	1
Primary Authorized Aircraft - Active 1/	2,559	2,525	2,510
Navy	1,493	1,464	1,466
Marine Corps	1,066	1,061	1,044
1/ Does not include trainer or TACAMO aircraft.			
Primary Authorized Aircraft - Reserve	453	444	431
Navy	268	259	246
Marine Corps	185	185	185

Aircraft OPTEMPO

The FY 1999 budget for the active aircraft flying hour program will provide the funds necessary to achieve the Department's goal of 85% Primary Mission Readiness (PMR) to train and maintain qualified aircrews in the primary mission of their assigned aircraft. This budget also reflects additional PMR and Fleet Air Support in FY 1997 through FY 1999 in support of contingency operations in Bosnia and southwest Asia. FY 1997 operations were funded from the Overseas Contingency Operations Transfer Fund (OCOTF) as appropriated by the Congress. FY 1998 contingency requirements for Bosnia are also included within the OCOTF request. Contingency Operations during FY 1998 and FY 1999 for Southwest Asia are supported in this budget. This operational tempo (OPTEMPO) supports ten active carrier wings and three active Marine Corps air wings. Fleet Readiness Squadrons operations are budgeted at 100% of the requirement to enable pilots to complete the training syllabus. Student levels are established by authorized TACAIR/ASW force level requirements, aircrew maintenance personnel rotation rates and student output from the Undergraduate Pilot/NFO training program. Fleet Air Support requirements correlate with TACAIR operational requirements. Naval Reserve PMR remains budgeted at 87% in FY 1999.

Table 9 displays active and reserve flying hour readiness indicators.

Table 9

Department of the Navy Flying Hour Program

	<i>FY 1997</i>	<i>FY 1998</i>	<i>FY 1999</i>
<i>Active</i>			
<i>TACAIR Primary Mission Readiness (%) 1/</i>	<i>88%</i>	<i>88%</i>	<i>88%</i>
<i>Fleet Readiness Squadrons (%)</i>	<i>99%</i>	<i>100%</i>	<i>100%</i>
<i>Fleet Air Support (%)</i>	<i>78%</i>	<i>85%</i>	<i>85%</i>

1/ Includes 2% simulator contribution

	<i>FY 1997</i>	<i>FY 1998</i>	<i>FY 1999</i>
<i>Reserve</i>			
<i>Primary Mission Readiness (%) 1/</i>	<i>87%</i>	<i>87%</i>	<i>87%</i>

1/ Includes 0.25% simulator contribution

Aircraft Depot Maintenance

The Active and Reserve Aircraft Depot Maintenance program funds overhauls, within available capacity, to ensure that sufficient aircraft are available to operational units. This readiness based metric determines maintenance requirements based on aircraft inventory needs to execute assigned Active and Reserve missions. The metric manages depot maintenance output so that full Primary Authorized Aircraft (PAA) is available for deployed squadrons; non-deployed squadrons are no more than 10% below PAA (minimum Status of Resources and Training System (SORTS) C-1 rating). The increases in FY 1998 and FY 1999 are a reflection of a growing maintenance requirement associated with aging Fleet inventory and the material condition of Navy aircraft.

Table 10 summarizes Active and Reserve Aircraft Depot Maintenance.

Table 10a

Department of the Navy
Active Forces Aircraft Depot Maintenance
(In Millions of Dollars)

	FY 1997	FY 1998	FY 1999
Airframes	466.2	528.0	575.5
Engines	140.4	155.5	191.6
Components	25.5	31.6	33.0
Total: Active Aircraft Depot Maintenance	\$632.1	\$715.1	\$800.1
Airframes Backlogged	117	115	113

Table 10b

Reserve Forces Aircraft Depot Maintenance
(In Millions of Dollars)

	FY 1997	FY 1998	FY 1999
Airframes	69.1	42.8	97.9
Engines	16.4	15.9	30.9
Components	0	.4	.4
Total : Reserve Aircraft Depot Maintenance	85.5	59.1	129.2
Airframes Backlogged	7	45	27

MARINE CORPS OPERATIONS

Marine Corps

This budget will support a Fleet Marine Force (FMF) of three active divisions and associated support and combat service support elements, station and Marine-unique support for three aircraft wings and the operation and maintenance of training bases, logistics functions and administrative activities.

The budget includes support, at minimally acceptable levels, for the Operating Forces of the Marine Corps, to include continuation of the fielding of improved equipment for the individual Marine. The budget also finances the continuation of investment in outsourcing and privatization studies, and contains funding to maintain an acceptable level of depot maintenance unfunded backlog. This budget includes, in the Procurement Marine Corps account, the initiation of an AAV Reliability and Maintainability (RAM)/Rebuild Program. This will allow the Marine Corps to solve a continuing aging and performance problem with the AAVs. As a result of this initiative, the depot maintenance program financed in the Operation and Maintenance account no longer includes the AAV Inspect and Repair Only As Necessary (IROAN) program. This budget fully finances requirements for recruit training, initial skill training and follow-on training courses, and continues support of recruit accession goals and the expanded recruit advertising campaign.

The budget also supports the stand-up of Marine Corps Air Station, Miramar, while financing minimal levels of base operating support at Marine Corps Air Stations El Toro and Tustin, until these bases close in FY 1999. The Department's funding of Marine Corps operations provides highly ready forces to respond to the full spectrum of crises by providing appropriately sized, positioned and mobile forces for joint or independent operations.

Table 11 displays Marine Corps land forces.

Table 11

**Department of the Navy
Marine Corps Land Forces**

	FY 1997	FY 1998	FY 1999
Number of Divisions	3	3	3
Number of Battalions	43	43	43
Number of Planned Joint Exercises	28	29	28
Number of Training Exercises			
Marine Expeditionary Force	68	61	66
Marine Expeditionary Unit	54	54	54
Regimental and Below	238	262	239

Marine Corps Reserve Operations

This budget supports a Marine Reserve Force that includes the Fourth Marine Division, the Fourth Marine Aircraft Wing, the Fourth Force Service Support Group and the Marine Corps Reserve Support Command.

The budget reflects planned QDR reductions, and support costs for Reserve end-strength. The budget also continues increased funding for environmental programs and provision of initial issue equipment.

PEOPLE

The Department's funding of its military personnel supports the goal to maintain highly ready joint forces to perform the full spectrum of military activities.

The Department of the Navy is continuing to improve the quality-of-life of its personnel consistent with the Secretary of the Navy's priorities for the future. The quality of our forces depends on the quality of our Military personnel. The men and women who comprise today's all-volunteer military are of the highest caliber, and we must continue to strive to attract and maintain this effective force. An important element of our policy is to provide our people with a quality-of-life commensurate with the sacrifices we ask them to make.

The Department remains committed to funding pay raises and other compensation. Military Personnel budget estimates include pay raises of 2.8%, effective 1 January 1998, and 3.0% in 1999. As we make further reductions in force, we continue our commitment to provide adequate funding in areas such as housing, community and family support, transition assistance, and morale and recreation activities. Recognizing the aging and substandard housing currently in the Department's inventory, the budget focus is to replace antiquated and unserviceable housing units. The FY 1999 budget includes funds for 312 new and replacement housing units; construction of six Bachelor Enlisted Quarters in CONUS, two in Hawaii and one overseas; construction of two Child Care Centers, one Fitness Center, three fire stations, one Recreation Facility, and funds an international agreement with the United Kingdom for an Education Center at St. Mawgan.

Educational assistance remains a priority, including off-duty voluntary education. The fighting force of the next century must be an educated, dedicated, motivated force, and programs that keep it that way are an integral part of our force management policy.

Navy

This budget will support active Navy end strengths of 395,499 in FY 1997, 385,713 in FY 1998 and 372,696 in FY 1999. End strength declines as we attain the Quadrennial Defense Review force structure, reduce infrastructure and institute operating efficiencies. In FY 2001, the Navy achieves its QDR strength levels of 369,000. Savings from end strength reductions have been reinvested into the Military Personnel, Navy appropriation to provide for more executable funding levels that will minimize the need for future reprogrammings into this account. Though this reinvestment seemingly does not conform with the QDR goal of using force structure savings to finance recapitalization efforts, it is fully consistent with the QDR objective of properly funding Operating and

Support (O&S) costs. Navy's primary focus continues to be maximum readiness through selective retention of qualified and experienced personnel. Fluctuations in the amounts for pay and allowances are being caused by a change in the Retired Pay Accrual Normal Cost Percentage and the net overall changes in end strength reductions from year to year.

Marine Corps

This budget will support an end strengths of 174,115 in FY 1997, 172,987 in FY 1998 and 172,200 in FY 1999. This reflects a reduction of 1,800 (100 officers and 1,700 enlisted personnel) as recommended in the Quadrennial Defense Review.

Tables 12 and 13 provide summary personnel end strength data for Military Personnel, Navy and Military Personnel, Marine Corps, respectively.

Chart 4 - Active Military Personnel End Strength

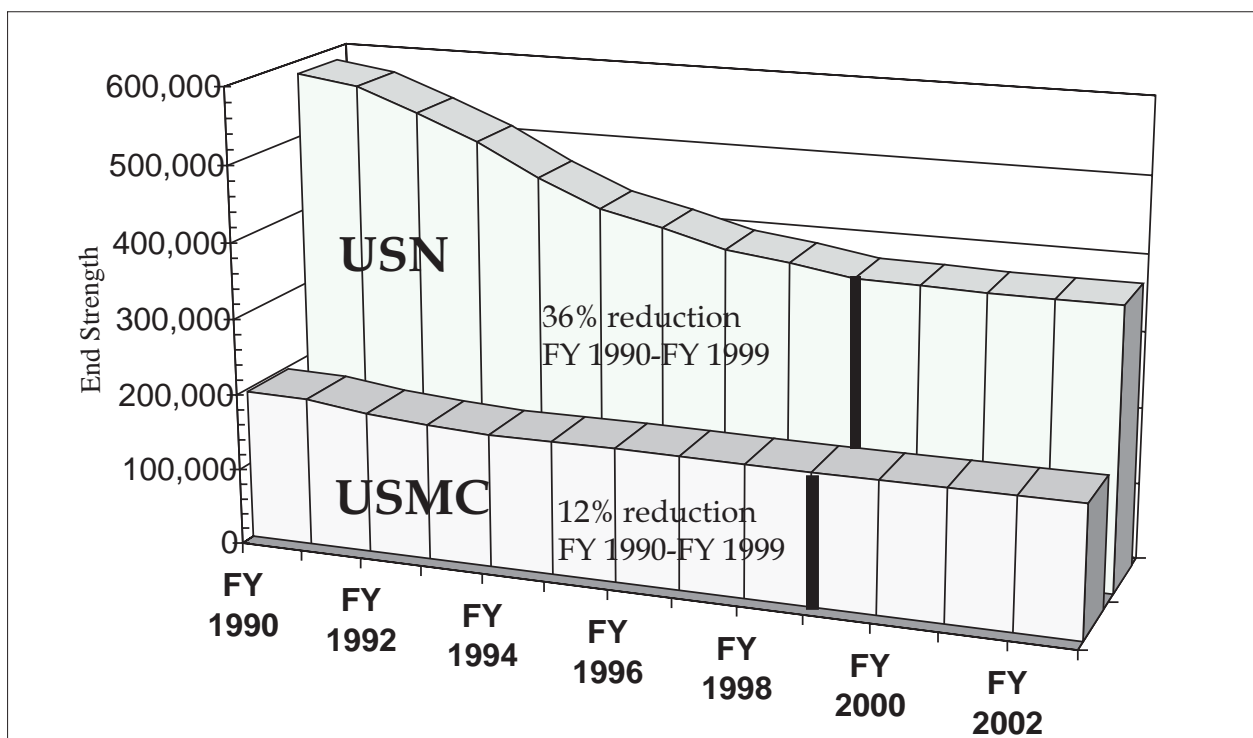


Chart 4 graphically displays Military Personnel reductions through FY 2003.

Table 12**Department of the Navy
Military Personnel, Navy**

	FY 1997	FY 1998	FY 1999
End Strength			
Officers	56,215	55,118	53,843
Enlisted	335,284	326,595	314,853
Midshipmen/NAVCADS	4,000	4,000	4,000
Total: End Strength	395,499	385,713	372,696
Accessions	48,956	52,580	46,264
Reenlistments	42,605	41,172	35,973

Table 13**Department of the Navy
Military Personnel, Marine Corps**

	FY 1997	FY 1998	FY 1999
End Strength			
Officers	17,987	17,886	17,878
Enlisted	156,128	155,101	154,322
Total: End Strength	174,115	172,987	172,200
Accessions	34,141	34,612	34,739
Reenlistments	15,187	14,947	14,947

Naval Reserve

This budget will support Naval Reserve end strength of 95,898 in FY 1997, 94,294 in FY 1998 and 90,843 in FY 1999. The Department remains committed to increasing use of the Naval Reserve in the "Total Force". The budget will provide for extensive contributory support of the active forces in addition to the roles and missions specifically assigned to reserve units. Examples of contributory support include participation in contingency operations, intelligence support, fleet exercises/deployments, air logistics operations, counterdrug missions, mine and inshore undersea warfare and extensive medical support of the active forces. The budget provides for pay and allowances for drilling Navy Reserve personnel attached to specific units and Full Time Support personnel.

Table 14 provides end strength data for the Reserve Personnel, Navy account.

Table 14

***Department of the Navy
Reserve Personnel, Navy***

	<i>FY 1997</i>	<i>FY 1998</i>	<i>FY 1999</i>
<i>End Strength</i>			
<i>Selected Navy Reserves</i>	79,272	78,158	75,253
<i>Full-Time Support</i>	16,626	16,136	15,590
<i>Total: End Strength</i>	<i>95,898</i>	<i>94,294</i>	<i>90,843</i>

Marine Corps Reserve

This budget will support a Marine Corps Reserve end strength of 42,000 in FY 1997 through FY 1999. This will ensure availability of trained units to augment and reinforce the active forces, provide a Marine Air-Ground Task Force Headquarters, and provide for the Marine Forces Reserve (MARFORRES). The budget provides for pay and allowances for drilling Marine Corps Reserves attached to specific units; for Individual Mobilization Augments and personnel in the training pipeline; and Full Time Support personnel.

The Department remains committed to Reserve contributory support to enhance and complement the active force while maintaining unit readiness to meet crisis requirements.

Table 15 provides personnel strength data for these accounts.

Table 15

***Department of the Navy
Reserve Personnel, Marine Corps***

	<i>FY 1997</i>	<i>FY 1998</i>	<i>FY 1999</i>
<i>Selected Marine Corps Reserves</i>	39,518	39,491	39,541
<i>Full Time Support</i>	2,482	2,509	2,459
<i>Total: End Strength</i>	<i>42,000</i>	<i>42,000</i>	<i>42,000</i>

SECTION III - RECAPITALIZATION

The budget reflects the Department's continued commitment to incorporate, where appropriate, savings resulting from a myriad of efforts under the umbrella of Acquisition Reform. Acquisition reform savings may include resources saved as a result of lower contract award through use of performance specifications vice military specifications or cost avoidance attributable to revision of test requirements due to increased use of modeling and simulation. Additionally, historical acquisition reforms comprise a plethora of initiatives such as multi-year procurements, contractor incentives, cost as an independent variable, specifications and standards reform initiatives, reduced oversight through statement of work modifications and increased contractor total system integration responsibility.

Integrated Product Team initiatives have contributed to the Department's ability to prudently reinvest resources to obtain maximum product value to support mission requirements. For example, the Cooperative Engagement Capability program has streamlined its development and production cost through the tailoring of acquisition process and documentation, such as the Cost Analysis Requirements Description. This has resulted in immediate, as well as long term, cost avoidances. Similarly, aggressive implementation of acquisition reform initiatives such as the reduction of military and federal contract specifications and the application of advanced computer modeling and simulation technology during the development and design phases are expected to result in LPD-17 ownership cost avoidances of approximately \$1 billion in production and over \$10 billion in the operations over the life of the program.

SHIP PROGRAMS

Surface Programs

Surface ship programs remain the backbone of National Defense, projecting the Nation's power maneuver to the farthest reaches of the globe. Consistent with this vision, the Department's FY 1999 budget reflects funding which emphasizes the acquisition, modernization, and re-capitalization of the world's pre-eminent surface fleet, necessary to U.S. qualitative superiority.

The *Arleigh Burke* class of guided missile destroyers, the cornerstone of the current surface combatant force, continues with the second year of a multi-year procurement program. This allows the Navy to commit to the

acquisition of a total of 13 ships over the 1998-2001 period. Additionally in FY 1999, the second of the *San Antonio* class of amphibious assault ships will begin construction.

Significant modernization efforts commence in FY 1999. The Cooperative Engagement Capability program will achieve milestone III and shifts to the procurement phase in FY 1999. Additional FY 1999 CEC Research and Development efforts include E-2 air integration and CEC miniaturization efforts. The CEC system will improve Fleet Anti-Air Warfare capability and precision engagement by coordinating all battle force sensors into a single, real time, composite track picture possessing fire control quality. The Department will also start procurement of the Evolved Seasparrow missile with low-rate initial production in FY 1999, leading to full rate production in FY 2000. This missile will provide the Fleet with the ability to defeat current and projected threats that possess low-altitude, high velocity and maneuver characteristics beyond the engagement capability of the current NATO Seasparrow.

Recapitalization efforts include the ongoing research and development for the Surface Combatant of the 21st Century (DD-21). DD-21 will be tailored for the land attack mission with an emphasis on maritime dominance. Additionally, R&D for the Fast Combat Support Ship

Chart 5 - Shipbuilding and Conversion Programs

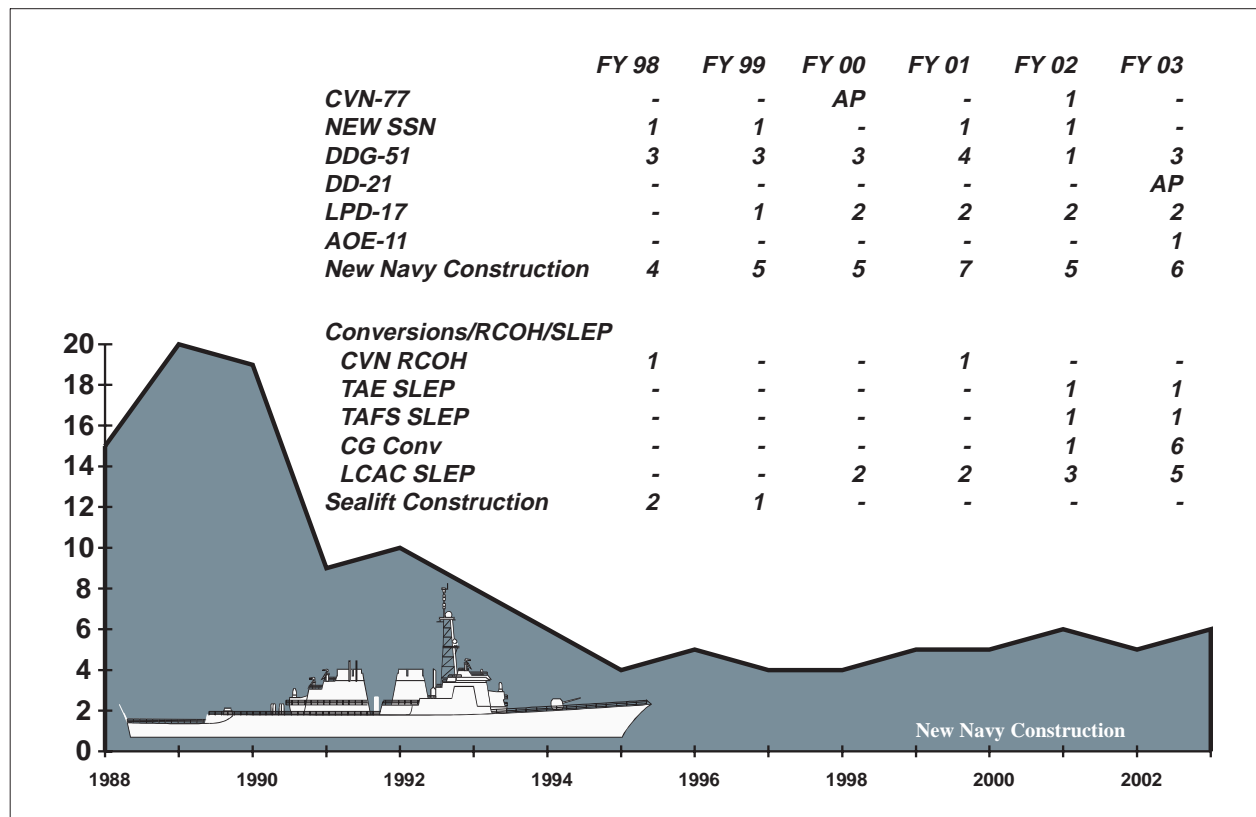


Chart 5 graphically displays new construction ships for FY 1988 through FY 2003 .

(AOE(X)) is budgeted in FY 1999. This ship will serve as the follow-on ammunition/oiler replenishment ship for the Combat Logistics Fleet.

Several land attack warfare R&D efforts continue in FY 1999, including the Extended Range Guided Munition, 5"/62 gun, Vertical Gun Advanced System and the Naval Surface Fire Support Integration Capability. The Extended Range Guided Munition contains an internal Global Positioning System and Inertial Navigation System to extend the range and provide state-of-the-art guidance to surface-fired munitions. The 5"/62 gun improves the current 5"/54 gun by lengthening the gun barrel which will allow for an extended range of deliverable munitions. The Vertical Gun Advanced System will provide the next generation of Naval Surface Combatants with a modular large caliber dual barrel gun system including an automated magazine handling system. The NSFS integration capability will use existing fire control infrastructure to serve as the nerve center for surface land attack by automating shipboard land attack battle management duties, incorporating improved land attack weapons systems and utilizing battlefield digitization.

Ship Self Defense re-capitalization efforts commencing in FY 1999 include the R&D for the next generation self defense launcher as well as its supporting air defense radar, the multi-function radar. Additionally in FY 1999, the Department has funded the required R&D for the *Ticonderoga* class cruiser modernization effort which initiates procurement in FY 2002. This will provide surface combatants with Theater Ballistic Missile Defense (TBMD) capability, as well as Area Air Defense Commander and improved Naval Surface Fire Support performance. Finally, in FY 1999, advance procurement materials for the refueling overhaul of *Eisenhower* (CVN-69) (fully funded in FY 2001) are being purchased, as well as continued development of CVN-77, the final *Nimitz* class aircraft carrier.

Submarine Programs

This budget reflects our continuing commitment to support replacement of our aging submarine force in the next decade and sustains the submarine industrial base. The NSSN acquisition plan is based on a teaming arrangement between General Dynamics, Electric Boat division, and Newport News Shipbuilding Company. Unmodified since the FY 1998/FY 1999 President's Budget Submission, the plan provides for the shipyards to jointly build the first four submarines. This is the most efficient way to maintain two commercial nuclear ship facilities to minimize risk to national security.

The Department is firmly committed to increasing efforts in Advanced Submarine Technology programs. Additional funds have been budgeted in FY 1999 and FY 2000 to accelerate development of core technologies and emerging Category I and II technologies identified in Appendix C of the *Secretary of Defense Report on Nuclear Attack Submarine Procurement and Submarine Technology*. Specific efforts will be directed at improving submarine acoustic sensor processing and pursuing technologies that will

enhance affordability and maintainability of future nuclear attack submarines.

To ensure strategic deterrence, the procurement quantity for the TRIDENT II (D-5) will continue to be seven missiles in FY 1999. The United Kingdom will also procure seven missiles in FY 1999. The FY 1999 request includes significant funding for Strategic Missile Systems Equipment required to support the first D-5 Backfit planned for FY 2000, including launcher, fire control, navigation, instrumentation and training equipment associated with equipping West Coast Submarines with the D-5 Missile System.

Submarine sonar system development and procurement programs are structured to take advantage of rapid advances in commercial processing technology. The Acoustic Rapid COTS Insertion program provides the latest technology and advanced development algorithms to the fleet and ensures our submarine force maintains acoustic superiority.

In FY 1999, the Navy will begin the modernization of submarine escape and rescue equipment by phasing out the use of existing obsolete equipment and replacing it with modern equipment such as the Submarine Escape and Immersion Equipment (SEIE) suit.

Sealift

A total of 19 prepositioning/surge Large Medium Speed Roll-on/Roll-off (LMSRs) ships are required to satisfy sealift requirements identified by the DOD Mobility Requirements Study (MRS). To date, contracts for the conversion of five LMSR ships and the construction of eleven prepositioning/surge LMSRs have been awarded. Two additional LMSRs will be procured in FY 1998 and the program will be closed out in FY 1999 with the procurement of the final ship. These additions will increase our Sealift capability to deliver materials and equipment to the right place, at the right time and help the Navy achieve the MRS FY 2001 requirement.

AVIATION PROGRAMS

The FY 1999 budget provides for aviation procurement plans which will maintain qualitative superiority of the Navy and Marine Corps team into the next century, with the planned procurement of 73 aircraft. In an effort to maximize use of procurement dollars, the FY 1999 budget includes the establishment of several multi-year procurements which will generate over a billion dollars in savings through the FYDP. Multi-year procurement programs include E-2C, AV-8B, T-45, F/A-18E/F and CH-60.

Two major naval aviation programs, the F/A-18E/F and V-22, will enter their third year of procurement. These newest additions play a central role in the Navy and Marine Corps Team's ability to project power from the sea. Both programs will be entering the final stages of testing. Funding in FY 1999 also supports the procurement of the Vertical Replenishment Helicopter (CH-60) which will ensure fleet sustainability through the rapid airborne delivery of materials and personnel, and to support amphibious operations through search and rescue coverage. Funding in FY 1999 also supports continued development of the EA-6B

Chart 6 - Aviation Programs

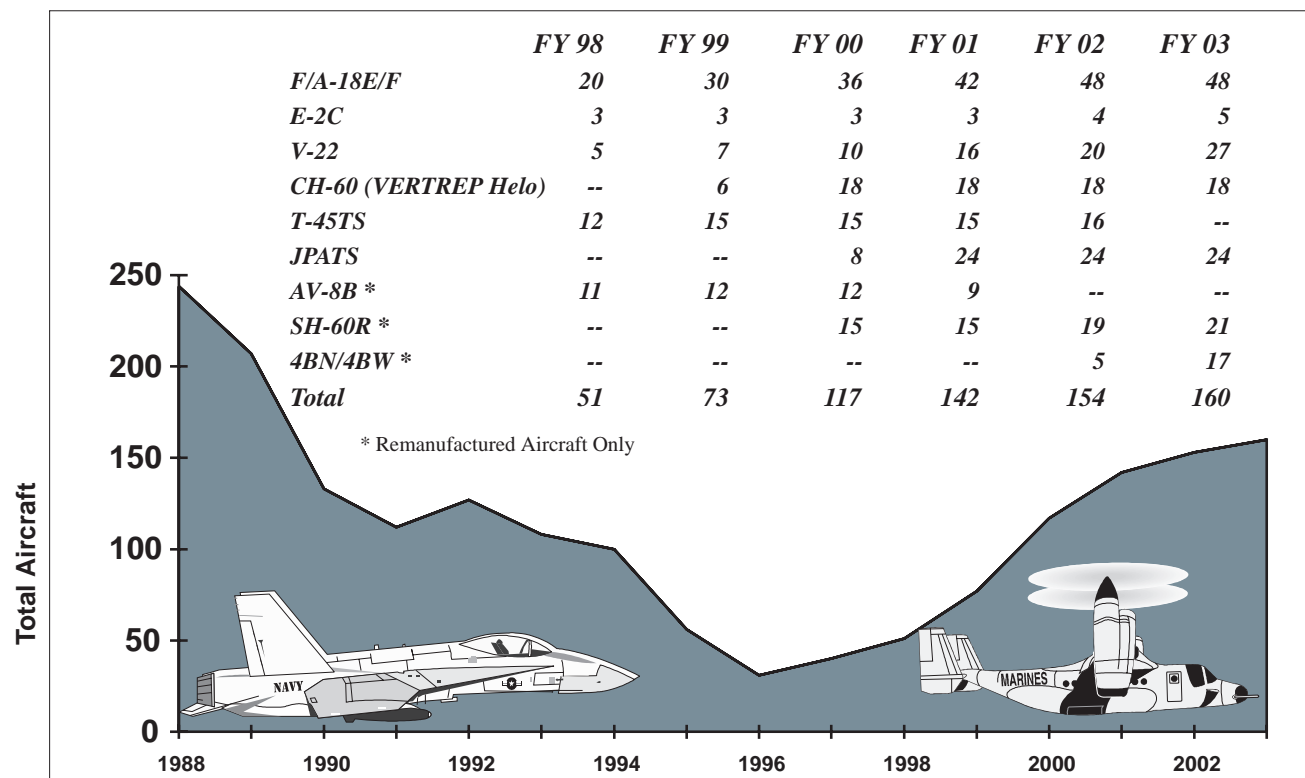


Chart 6 graphically displays the Department's aircraft procurement program reflective of our recapitalization efforts.

* Remanufactured aircraft only

Improved Capability (ICAP III) program, the Consolidated Support Aircraft, 4BN/4BW, and the SH-60R. 4BN/4BW will provide an improved capability to Marine Corps light/utility and attack helicopters.

Aircraft modification funding peaks in FY 1999. Funding provides for safety and tactical upgrades throughout naval aviation. Specific efforts include F-14 LANTIRN; training equipment associated with the SH-60B Forward Looking Infrared Radar; the SH-60B Armed Helo; F-18 Service Life Extension Program and Multi-function Information Distribution System capability as well as development of the Generation III Targeting Forward Looking Infrared Radar; the P-3 Service Life Assessment/Extension Program, Anti-Surface Warfare Improvement Program efforts, Update III Common Configuration program and Sustained Readiness Program; and upgrades to tactical aircraft electronic warfare countermeasures capabilities.

The budget includes increased funding in FY 1999 for SLAM-Expanded Response (ER) as it transitions to full rate production. The SLAM-ER weapon system provides increased warhead penetration, range and accuracy to this Standoff-Outside Area Defense Weapon. Transitioning from RDT&E in FY 1999, the Tomahawk Baseline Improvement Program (TBIP) significantly upgrades the Tomahawk weapons system by providing improved accuracy, more flexible navigation/routing and battle damage indications capabilities. Increased funding for sonobouy procurement supports enhanced ASW operations in littoral regions.

The FY 1999 budget also reflects a strong commitment to joint aircraft and weapons programs. Funding in FY 1999 continues the development efforts, Critical Design Review and the fabrication/assembly of the special operations variant of the V-22. Joint Strike fighter efforts in FY 1999 center on concept demonstration and technology maturation, demonstration and assessment.

Joint aircraft weapons systems which provide battle space dominance in support of operations in the littorals include ongoing programs with the Air Force including AMRAAM, and the Joint Standoff Weapons System Baseline variant, for which the Navy is executive agent. Procurement of the Joint Direct Attack Munition (JDAM) will answer the need identified during Operation Desert Storm for a more accurate weapon delivery capability in adverse weather conditions and from medium and high altitudes.

C⁴I PROGRAMS

The central theme shaping the budget for Navy C4I programs is the concept of Information Technology for the 21st Century (IT-21). IT-21 will provide the common backbone for internettted communications, command, control, computers and intelligence systems. The C4I evolutionary plan revolves around four key elements: connectivity; a common tactical picture; a sensor-to-shooter emphasis; and information/command and control warfare.

The principal elements of this backbone are Asynchronous Transfer Mode (ATM) local area networks afloat and wide area networks ashore. These networks integrate tactical and tactical support applications with connections to enhanced satellite systems and ashore networks. Funding is increased for the Navy Tactical Command Support System (NTCSS), the LANs; JMCIS Afloat software providing the common tactical picture; the Automated Digital Network System that provides ship and shore RF & satellite connectivity; the Naval Shore Communications providing connection to DISN through Navy Switch and Cable Plant Modernization Plan (NASCAMP); and the Information System Security Program (ISSP) providing network security.

IT-21 connectivity is critical because it provides the managed bandwidth for timely transmission of information. Increased support for Satellite Communications continues expansion of available bandwidth to the warfighter. Joint UHF MILSATCOM Network Integrated Control System will be completely procured and installed in FY 1999/ FY 2000. Funding continues in FY 1999 for UHF Demand Access (DAMA), Challenge Athena and Global Broadcast System (GBS), which exploit multiplexing techniques, direct satellite broadcast and wideband transmission systems while capitalizing on commercial advancements.

Sensor-to-Shooter focuses on the process of putting a weapon on target. Increased funding in FY 1999 for Advanced Tactical Data Links (ATDLS) and Battle Group Passive Horizon Extension System/Common High Bandwidth Data Link (BGPHEs/CHBDL) ensure timely transmission of surveillance, targeting, engagement, combat identification, and battle damage assessment information over IT-21 networks. Over half of BGPHEs/CHBDL systems will be procured by FY 1999, guaranteeing full operating capability by the end of the FYDP. ATDLS is the system for implementing compliance with the OSD direction to have 75% of all units Link-16 compatible by FY 2005.

Information Warfare/Command and Control Warfare (IW/C2W) is the integrated use of operations security, military deception, psychological operations, electronic warfare and physical destruction to deny information to, influence, degrade or destroy an adversary's C2 capabilities, while protecting friendly C2 capabilities against such actions. FY 1999 funding is increased for Outboard and Combat DF budgeted under Shipboard Cryptologic Systems, and the ISSP program within IT-21.

MARINE CORPS GROUND EQUIPMENT

Consistent with the QDR and the United States Marine Corps' overarching philosophy of modernization and recapitalization, the FY 1999 budget focuses on the development and procurement of technologies and systems that support the warfighter and their Operational Maneuver From the Sea.

FY 1999 begins an upward trend in the pace of modernization which continues through the outyears. Several major replacement and remanufacture programs will begin in FY 1999, including the Light Weight 155 Howitzer, the Medium Tactical Vehicle Remanufacture (MTVR) and Amphibious Assault Vehicle (AAV) RAM (Reliability and Maintainability) Rebuild. The Lightweight 155mm howitzer replaces the M198 howitzer and will provide fire support with increased mobility, survivability, deployability and sustainability in an expeditionary environment. Low-rate initial procurement commences in FY 1999 for 240 MTVRs. This program provides for the economical replacement of the current medium truck fleet with enhanced off-road capabilities. Additionally, the AAV7A1 RAM/Rebuild program, starts in FY 1999 to replace the current engine and suspension with Bradley Fighting Vehicle derivative components, provides a new transmission and rebuilds the vehicle to original like-new standards. This rebuild program maintains combat readiness until the AAV's are replaced by the Advanced Amphibious Assault Vehicle (AAAV) in FY 2013. A significant portion of the Marine Corps FY 1999 ground Research and Development budget is dedicated to the AAAV. This critical program is continuing in the demonstration and validation phase with Test Readiness Review (TRR) scheduled in FY 1999.

The FY 1999 budget reflects an emphasis on C⁴I modernization to ensure connectivity and interoperability on the battlefield. Several communications and electronics initiatives will be continued including the Tactical Data Network (TDN), the Data Automated Communications Terminal (DACT) and the Digital Technical Control (DTC). The Enhanced Position Location Reporting System (EPLRS) is a new FY 1999 initiative which meets a recently recognized deficiency in the Marine Corps' C⁴I operational architecture by providing improved bandwidth allowing for better data distribution and situational awareness.

Marine Corps firepower will be enhanced in FY 1999 with the continued procurement of the Javelin Missile and continued development of the Short Range Anti-Armor Weapon (Predator), a light-weight, disposable, main battle tank killer. The FY 1999 budget finances sufficient quantities of ammunition to satisfy training and combat requirements by the end of the FYDP, while maintaining current Strategic and Residual Reserve Requirements inventories.

As the DOD Executive Agent for Non-lethal Weapons (NLW), the USMC continues to finance NLW research and development. The procurement of NLW remains the responsibility of the individual Services and is budgeted in the Procurement of Ammunition, Navy and Marine Corps appropriation.

RESEARCH AND DEVELOPMENT SUPPORT

The Department's Science and Technology program sustains U.S. Naval scientific and technological superiority, provides new concepts and technological options for the maintenance of naval power and national security, and provides the means to avoid scientific surprise, while exploiting scientific breakthroughs. The program supports the technologies that could significantly improve the warfighting capabilities of our naval forces. The FY 1999 R&D budget continues to finance the Marine Corps led experimentation with future tactics, concepts and innovations involving both Marine and Navy forces. The Marine Corps' Warfighting Laboratory is the centerpiece for operational reform in the Corps, investigating new and potential technologies and evaluating their impact on how the Marine Corps organizes, equips and trains to fight in the future.

The Basic Research program seeks to increase knowledge and understanding across the full spectrum of long-term Department of the Navy needs. Research is conducted to ensure that both cutting-edge scientific discoveries and the general store of scientific knowledge are optimally used to develop superior naval equipment, strategies, and tactics. The FY 1999 budget maintains the Basic Research levels identified in the FY 1998/FY 1999 President's Budget.

Applied Research and Advanced Technology Development efforts include initiatives focused toward the solution of specific naval problems, short of major development projects. Technology demonstrations reflect the naval focus to transition near-term, risk-reducing and emerging technologies to operational Fleet units faster and at less total cost than traditional development programs. The FY 1999 budget sustains these programs at the FY 1998/FY 1999 President's Budget levels with minimal growth through FY 2003. The FY 1999 budget reflects the Department's commitment to maintaining a strong Science and Technology program to ensure that the sea services will be able to dominate the sea, undersea and littoral battlespace under future threat scenarios.

RDT&E Management Support provides funding for installations required for general research and development use. These efforts include the test and evaluation support programs required to operate the Navy's test range sites, R&D aircraft and ship funding, and threat simulator development efforts. This general funding level reflects required R&D infrastructure support commensurate with overall Navy force structure and facilities and management consolidations. The FY 1999 funding reflects the minimum necessary to ensure test and evaluation activities are sustained at operable levels for optimum program testing. The budget reflects deferral of all but critical modernization efforts at T&E facilities until the final recommendations on the Department of Defense Vision 21 study are known.

The remaining categories of research have been discussed as applicable in the previous sections. Table 16 provides summary financial data for the Research, Development, Test and Evaluation, Navy appropriation.

Table 16

Department of the Navy
Research, Development, Test and Evaluation, Navy
(In Millions of Dollars)

	FY 1997	FY 1998	FY 1999
Basic Research	345.6	382.1	399.7
Applied Research	516.3	491.2	493.2
Advanced Technology Development (ATD)	497.0	432.4	451.0
Demonstration & Validation (DEM/VAL)	1,934.0	2,139.1	2,336.3
Engineering & Manufacturing Development	2,157.1	2,090.4	2,110.8
RDT&E Management Support	675.1	593.9	610.2
Operational Systems Development	1,806.5	1,487.5	1,622.5
Total: RDT&E,N	\$7,931.6	\$7,616.6	\$8,023.7
Significant RDT&E,N Programs:	FY 1997	FY 1998	FY 1999
Science and Technology	1,358.9	1,305.7	1,343.9
V-22	605.6	529.5	287.9
F/A-18	402.8	317.0	362.7
Joint Strike Fighter	243.3	448.9	461.4
New Attack Submarine	455.1	392.5	304.4
C4I	275.2	217.8	265.1
Cooperative Engagement Capability	224.3	139.2	134.0
TOMAHAWK	138.8	93.4	67.8
JDAM/JSOW	112.3	84.2	86.0
4BN/4BW	68.0	86.3	100.3

SECTION IV - INFRASTRUCTURE

BASE REALIGNMENT AND CLOSURE II, III & IV

The Department's funding of Base Realignment and Closure (BRAC) supports the DOD Corporate-level goal to fundamentally reengineer the Department and achieve a 21st Century infrastructure by reducing costs and eliminating unnecessary expenditures while maintaining required military capabilities across all DOD mission areas.

BRAC II - 35 of the 36 bases covered by BRAC II will have completed operational closure or realignment by the end of FY 1997. The remaining activity will complete closure under re-direction of BRAC IV. With the completion of these closures, the budget reflects funding to support critical environmental restoration efforts at Naval Stations Long Beach and Treasure Island, Naval Air Station Moffet Field, and Naval Construction Battalion Center, Davisville.

BRAC III - Base Closure and Realignment III costs reflect the closure or

Chart 7 - Base Realignment and Closure

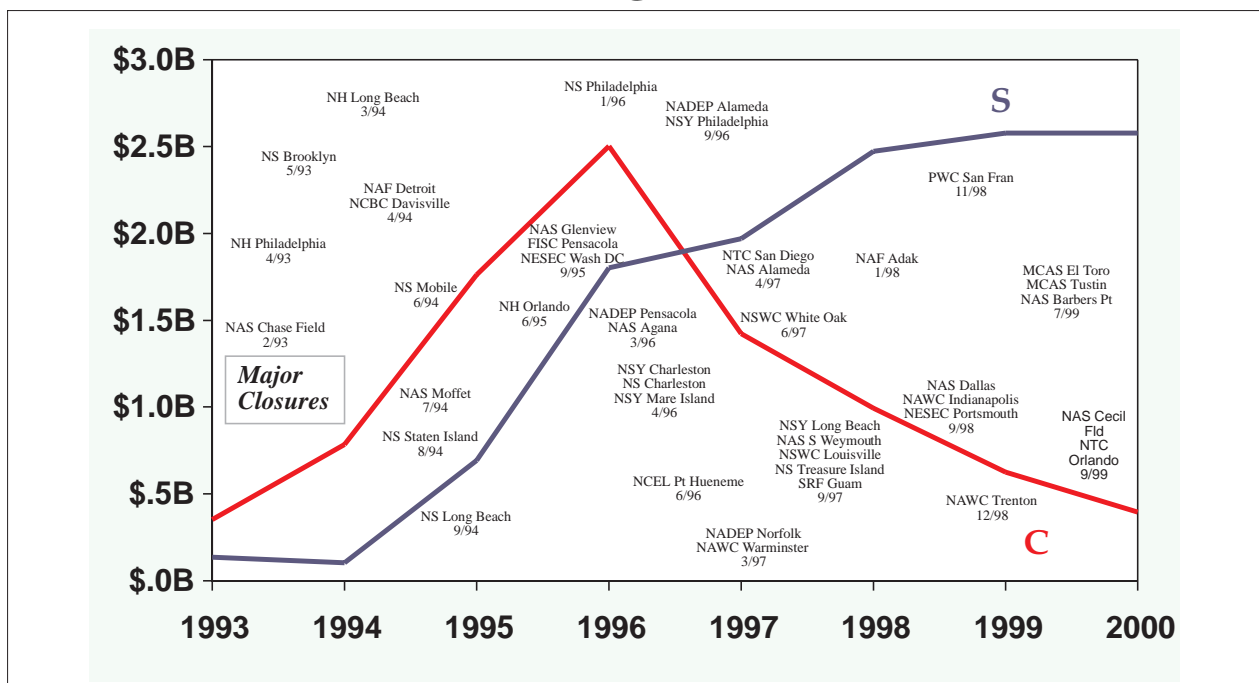


Chart 7 portrays BRAC savings and BRAC Costs. FY 1997 reflects the first positive return on BRAC Investments with savings exceeding costs, the trend continues with estimated steady state savings of \$2.6B in FY 2000 and out.

realignment of 91 naval facilities. The Department is committed to make closing facilities available to community reuse groups as fast as possible within fiscal constraints, while reducing associated shore support structure. Of the 91 naval bases and facilities addressed under BRAC III, 85 will have completed operational closure or realignment by the end of FY 1998 with the remaining 6 completing in FY 1999. Funds are budgeted for environmental clean-up actions that will execute in FY 1999 based on community re-use. The FY 1999 BRAC III budget represents the minimum funding required to implement closures and realignments.

BRAC IV - The BRAC IV budget was developed to achieve cost savings at maximum speed while minimizing disruption to Navy operations. Of the 44 bases and naval facilities included in BRAC IV, 41 will have completed operational closure or realignment by the end of FY 1999. The remaining three will finish by the end of FY 2001. BRAC IV savings reflect avoidance of previously anticipated BRAC III costs. The budget also funds the major redirects of Naval Training Center, Orlando, Naval Air Stations Cecil Field and Miramar, and relocation of Naval Sea Systems Command headquarters.

Table 17 reflects anticipated costs for Base Closure II, III and IV. A summary of these costs and savings are shown in the same table.

Table 17

Department of the Navy
Base Realignment and Closure Accounts
(In Millions of Dollars)

COSTS	FY 1997	FY 1998	FY 1999	
BRAC II	99.3	61.6	43.1	
BRAC III	*775.7	**522.5	302.3	
BRAC IV	397.6	***410.6	293.5	
Total	\$1272.6	\$994.7	\$638.9	
SAVINGS	FY 1997	FY 1998	FY 1999	Annual Steady State
BRAC II	649.0	465.7	465.7	465.7
BRAC III	985.4	1224.4	1359.8	1359.8
BRAC IV	480.1	674.8	643.2	731.5
Total	\$2114.5	\$2364.9	\$2468.7	\$2557.0

* Includes \$47 million Operation and Maintenance, Navy funds.

**Includes \$1.8 million Operation and Maintenance, Navy funds.

***Includes \$2.9 million Operation and Maintenance, Navy funds.

NAVY WORKING CAPITAL FUND (NWCF)

The Navy Working Capital Fund budget for FY 1999 includes operating costs totaling approximately \$19 billion for nine activity groups. Rates have been set to cover budgeted costs and achieve a zero Accumulated Operating Result (AOR) by the end of the budget year. Additionally, the DON's three year cash recovery plan continues with a \$150 million cash surcharge included in FY 1999 rates. Customers have been resourced appropriately for these rates. The NWCF cash corpus is budgeted to be at a sufficient level to cover day-to-day operations and eliminate all advance billing balances by the end of FY 1999.

The FY 1999 budget builds upon the Ordnance activity group restructuring budgeted in FY 1998. The responsibility for East Coast base operations has been transferred to the Atlantic Fleet with the provision of appropriate services to be performed by Public Works Centers. Approximately \$105 million in operating costs and approximately 1,100 military and civilian personnel were transferred. Additionally, the Naval Warfare Assessment Division has been transferred from Ordnance to the Research and Development activity group of the NWCF. This transfer will consolidate similar engineering and information resources management functions within one activity, leading to further restructuring and efficiencies in the future. Due to the continued efforts of the Department to reduce infrastructure, this budget also incorporates a prototype which merges the Intermediate Maintenance Facility (IMF), Pearl Harbor and the Naval Shipyard, Pearl Harbor into a Regional Maintenance Center operated by the Commander in Chief, Pacific Fleet. This transfer will expedite efforts to regionalize maintenance infrastructure, ensure that sailors at the IMF are adequately trained for battle force maintenance, establish uniform management procedures and institute a single financial system compatible with the current financial structure supporting fleet maintenance and fleet operations.

The NWCF capital program reflects some growth in FY 1999 due to the capitalization of the supply and depot maintenance information systems which were previously funded by the Joint Logistics Service Center.

Table 18 reflects obligations for the supply activity group, cost of operations for industrial activity groups and capital investment requirements for all Navy Working Capital Fund activities.

Table 18**SUMMARY OF NWCF COSTS***(In Millions of Dollars)*

	FY 1997	FY 1998	FY 1999
COST			
Supply (obligations)	6,067.2	6,582.2	5,312.4
Depot Maintenance - Aircraft	1,543.9	1,618.7	1,712.2
Depot Maintenance - Ships	2,344.7	2,096.4	1,923.9
Depot Maintenance - Marine Corps	179.7	169.2	145.6
Ordnance	535.7	256.0	221.9
Transportation	1,233.0	1,243.5	1,345.0
Research and Development	7,062.5	6,640.4	6,544.0
Information Services	237.5	212.7	208.3
Base Support	2,031.3	1,821.3	1,746.9
TOTAL	\$21,235.6	\$20,640.3	\$19,160.3
CAPITAL INVESTMENT			
Supply Operations	28.0	31.0	35.1
Depot Maintenance - Aircraft	53.4	30.1	54.1
Depot Maintenance - Ships	47.6	37.0	41.2
Depot Maintenance - Marine Corps	6.7	3.6	3.4
Ordnance	9.6	6.4	3.6
Transportation	1.3	1.2	0.5
Research and Development	112.8	118.3	121.1
Information Services	0.9	1.5	0.5
Base Support	18.5	19.3	16.8
TOTAL	\$278.7	\$248.4	\$276.2

CIVILIAN PERSONNEL

The Department of the Navy budget includes the following civilian end strength and workyear estimates:

	FY 1997	FY 1998	FY 1999
End Strength	218,281	215,022	209,865
FTE Workyears	224,058	215,230	211,847

Civilian Personnel levels in the Department are at the lowest level since before World War II. The budget reflects the continued downward trend of the civilian work force as a result of base closures, reductions in force structure, decreasing workload and management efficiency.

Forty-nine percent of the Department's civilians work at Navy Working Capital Fund (NWCf) activities supporting depot level maintenance and repair of ships, aircraft, and associated equipment, development of enhanced warfighting capabilities at the Warfare Centers of Excellence,

Chart 8 - Civilian Personnel

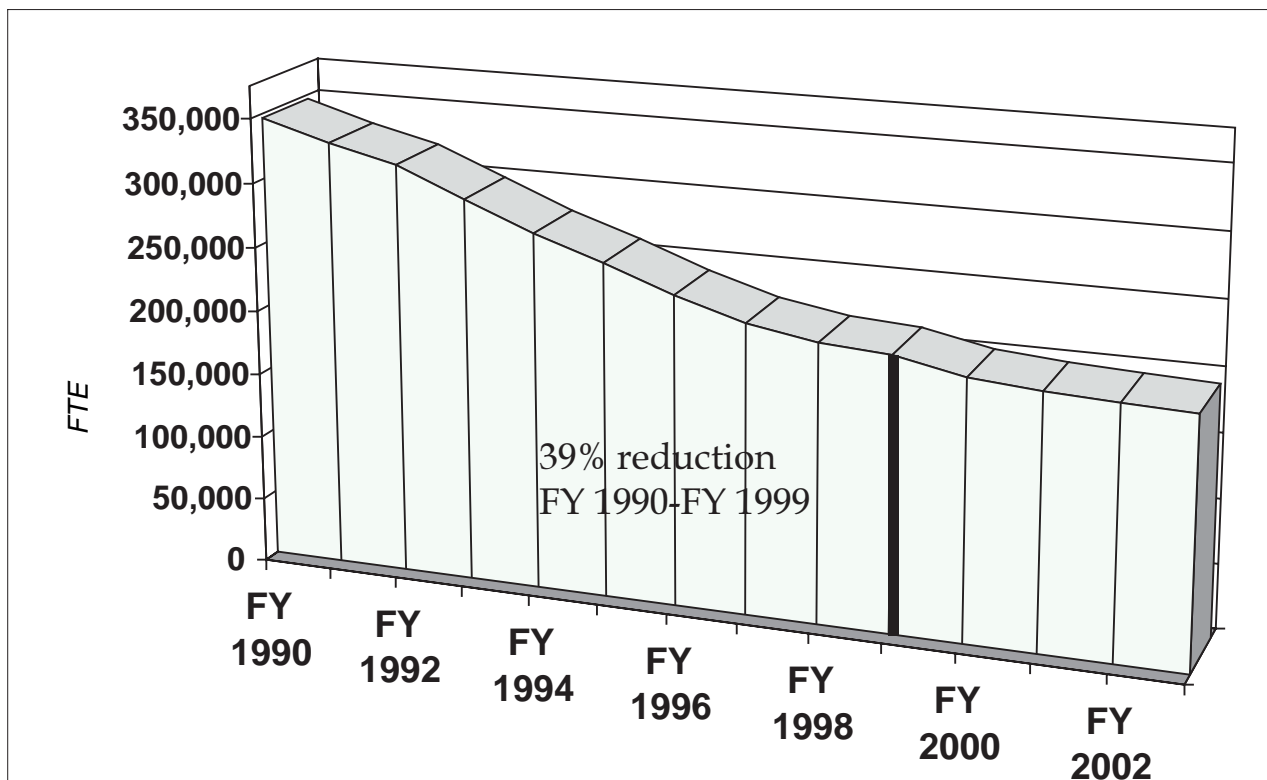


Chart 8 graphically displays Civilian Personnel Full time equivalent reductions from FY 1990 through FY 2003 in consonance with Departmental downsizing and efficiencies.

and direct fleet communications, supply, and public works support. A significant number of the civilians funded directly by operations appropriations provide direct fleet support at Navy and Marine Corps bases and stations. The balance provide essential support in functions such as training, medical care, and the engineering, development, and acquisition of weapons systems, all of which are necessary for long-range readiness, including achieving our recapitalization plans.

The Department's budget projects continued downsizing of the civilian workforce through FY 2003. The workforce levels in the budget also reflect a significant decline in workload at our NWCF activities. FY 1997-1999 civilian workyears are based on workload in the Department's FY 1998 and FY 1999 program and the appropriate mix of civilian and contractor workload accomplishment. If workload does not decline as much as projected, the workforce will not be reduced as much as currently projected. The workforce decline also includes the effects of BRAC decisions, some of which have been accelerated resulting in earlier personnel reductions.

The Department's force structure was reduced in the Quadrennial Defense Review (QDR) to reflect improvements in operational concepts and organizational arrangements. These reductions along with ongoing efforts, such as competition, outsourcing and regionalization, enabled the DON to further reduce the infrastructure and the related civilian workforce. The Department's budget achieves by FY 2003 the QDR goal to reduce DON civilian personnel by 8,800.

A summary display of total DON Civilian Personnel resources is provided as Table 19.

Table 19

**Department of the Navy
Civilian Manpower
Full-time Equivalent**

	FY 1997	FY 1998	FY 1999
Total — Department of the Navy	224,058	215,230	211,847
<u>By Service</u>			
Navy	205,516	196,641	196,668
Marine Corps	18,542	18,589	18,179
<u>By Type Of Hire</u>			
Direct	213,281	204,207	200,914
Indirect Hire, Foreign National	10,777	11,023	10,933
<u>By Appropriation/fund</u>			
Operation and Maintenance, Navy	86,879	85,135	85,297
Operation and Maintenance, Navy Reserve	2,456	2,349	2,267
Operation and Maintenance, Marine Corps	16,424	16,575	16,386
Operation and Maintenance, Marine Corps Reserve	161	161	161
Total — Operation and Maintenance	105,920	104,220	104,111
Total — Working Capital Funds	113,066	106,234	103,178
Military Construction, Navy	3,104	2,883	2,701
Research, Development, Test & Evaluation, Navy	1,892	1,819	1,783
Military Assistance	76	74	74
Total — Other	5,072	4,776	4,558
<u>Special Interest Areas</u>			
Fleet Activities	30,315	30,109	31,499
Shipyards	23,210	21,110	19,439
Aviation Depots	11,994	11,934	11,919
Supply/Distribution/Logistics Centers	7,570	7,316	7,128
Warfare Centers	40,174	39,337	38,435
Engineering/Acquisition Commands	22,826	21,360	20,160
Medical	11,323	10,887	10,465

COMPETITION AND OUTSOURCING

This budget reflects the Department of the Navy's commitment to the use of competition and outsourcing as a means to reduce the cost of infrastructure and provide the funds necessary to recapitalize and modernize our forces. Recent studies have identified nearly \$4 billion annually spent on activities that might be performed more economically by the private sector, or more efficiently in-house. Based on our analyses of competitive procurement of these services by other federal, state, and local government agencies, our budget reflects savings totaling more than \$2.6 billion through FY 2003 that have been reapplied to recapitalization.

Table 20 reflects the number of billets to be reviewed for competitive outsourcing and budgeted savings.

Table 20

Department of the Navy Competition and Outsourcing

	FY 1998-FY 2003	
<i>Estimated Number of Billets Subject to Study</i>		
	<i>Military:</i>	<i>10,000</i>
	<i>Civilian</i>	<i>75,000</i>
<i>Competition Savings (FYDP)</i>	<i>\$2,535 million</i>	

APPENDIX A

SUPPORTING TABLES

Table A-1

Department of the Navy
FY 1999 Budget Summary by Appropriation
(In Millions of Dollars)

	FY 1997	FY 1998	FY 1999
Military Personnel, Navy	17,030.1	16,664.7	16,543.6
Military Personnel, Marine Corps	6,018.1	6,123.3	6,265.9
Reserve Personnel, Navy	1,419.4	1,375.4	1,375.4
Reserve Personnel, Marine Corps	393.8	381.1	399.6
Operation and Maintenance, Navy	21,115.7	21,640.6	21,965.4
Operation and Maintenance, Marine Corps	2,346.7	2,310.9	2,427.1
Operation and Maintenance, Navy Reserve	890.2	832.1	948.2
Operation and Maintenance, Marine Corps Reserve	109.7	110.4	116.6
Environmental Restoration, Navy	—	277.5	287.6
Kaho'olawe Island	55.1	10.0	—
Aircraft Procurement, Navy	6,784.1	6,027.4	7,183.6
Weapons Procurement, Navy	1,358.4	1,145.3	1,325.2
Shipbuilding and Conversion, Navy	5,479.6	7,438.2	5,957.0
Other Procurement, Navy	2,883.9	2,813.4	4,015.2
Procurement, Marine Corps	580.7	374.3	718.5
Procurement of Ammunition, Navy and Marine Corps	283.6	327.8	448.4
Research, Development, Test & Evaluation, Navy	7,931.6	7,616.6	8,023.7
National Defense Sealift Fund	1,392.1	1,191.4	622.4
Military Construction, Navy	707.1	540.1	482.2
Military Construction, Naval Reserve	37.6	13.9	15.3
Family Housing, Navy and Marine Corps	1,521.5	1,255.4	1,229.6
Base Realignment and Closure	1,225.6	990.5	638.9
To Be Determined		-163.6	
TOTAL	\$79,564.6	\$79,296.7	\$80,989.5

MILITARY PERSONNEL, NAVY

Table A-2

Department of the Navy
Military Personnel, Navy
(In Millions of Dollars)

	FY 1997	FY 1998	FY 1999
<i>Pay and Allowances of Officers</i>	4,327.9	4,292.8	4,324.2
<i>Pay and Allowances of Enlisted</i>	11,198.5	10,849.7	10,718.6
<i>Pay and Allowances of Midshipmen</i>	36.0	35.8	36.0
<i>Subsistence of Enlisted Personnel</i>	745.3	749.9	743.2
<i>Permanent Change Station Travel</i>	614.1	645.7	632.5
<i>Other Military Personnel Costs</i>	108.3	90.8	89.1
Total: MPN	\$17,030.1	\$16,664.7	\$16,543.6
End Strength			
<i>Officers</i>	56,215	55,118	53,843
<i>Enlisted</i>	335,284	326,595	314,853
<i>Midshipmen/NAVCADS</i>	4,000	4,000	4,000
Total: End Strength	395,499	385,713	372,696

MILITARY PERSONNEL, MARINE CORPS

Table A-3

Department of the Navy
Military Personnel, Marine Corps
(In Millions of Dollars)

	FY 1997	FY 1998	FY 1999
<i>Pay and Allowances of Officers</i>	1,265.0	1,282.9	1,316.7,
<i>Pay and Allowances of Enlisted</i>	4,154.8	4,234.3	4,328.9
<i>ubsistence of Enlisted Personnel</i>	335.9	348.6	356.0
<i>Permanent Change Station Travel</i>	224.6	221.1	226.8
<i>Other Military Personnel Costs</i>	37.8	36.4	37.5
Total: MPMC	\$6,018.1	\$6,123.3	\$6,265.9
 End Strength			
<i>Officers</i>	17,987	17,886	17,878
<i>Enlisted</i>	156,128	155,101	154,322
Total: End Strength	174,115	172,987	172,200

RESERVE PERSONNEL, NAVY

Table A-4

**Department of the Navy
Reserve Personnel, Navy
(In Millions of Dollars)**

	FY 1997	FY 1998	FY 1999
Unit & Individual Training	537.4	532.4	540.9
Other Training & Support	882.0	843.0	834.5
Total: RPN	\$1,419.4	\$1,375.4	\$1,375.4
End Strength			
SELRES	79,272	78,158	75,253
Full-Time Support	16,626	16,136	15,590
Total: End Strength	95,898	94,294	90,843

RESERVE PERSONNEL, MARINE CORPS

Table A-5

Department of the Navy
Reserve Personnel, Marine Corps
(In Millions of Dollars)

	FY 1997	FY 1998	FY 1999
Unit and Individual Training	211.3	211.3	217.8
Other Training and Support	182.5	169.8	181.8
Total: RPMC	\$393.8	\$381.1	\$399.6
Selected Marine Corps Reserves	39,518	39,491	39,541
Full Time Support	2,482	2,509	2,459
Total: End Strength	42,000	42,000	42,000

OPERATION AND MAINTENANCE, NAVY

Table A-6

Department of the Navy
Operation and Maintenance, Navy
(In Millions of Dollars)

	FY 1997	FY 1998	FY 1999
<u>Operating Forces</u>			
Air Operations	4,444.3	4,728.4	4,898.0
Ship Operations	6,887.0	7,206.3	7,321.0
Combat Operations/Support	1,792.7	1,616.4	1,666.9
Weapons Support	1,323.8	1,447.6	1,571.5
NWCF Support	0	42.1	0
Total — Operating Forces	\$14,447.8	\$15,040.8	15,457.4
<u>Mobilization</u>			
Ready Reserve & Prepositioning Force	508.0	454.9	444.0
Activations/Inactivations	589.1	714.1	539.0
Mobilization Preparedness	38.5	67.2	57.8
Total — Mobilization	\$1,135.6	\$1,236.2	\$1,040.8
<u>Training And Recruiting</u>			
Accession Training	252.1	267.4	284.5
Basic Skills & Advanced Training	1,097.7	1,172.7	1,190.6
Recruiting & Other Training & Education	231.4	252.3	267.3
Total — Training And Recruiting	\$1,581.2	\$1,692.4	\$1,742.4
<u>Admin & Service-wide Support</u>			
Service-wide Support	1,541.4	1,546.2	1,556.1
Logistics Operations & Technical Support	1,838.9	1,571.5	1,602.2
Investigations & Security Programs	557.9	546.9	559.2
Support of Other Nations	8.1	6.6	7.3
Canceled Accounts	4.8	0	0
Total — Admin & Service-wide Support	\$3,951.1	\$3,671.2	\$3,724.8
Total — O&MN	\$21,115.7	\$21,640.6	\$21,965.4

OPERATION AND MAINTENANCE, MARINE CORPS

Table A-7

Department of the Navy
Operation and Maintenance, Marine Corps
(In Millions of Dollars)

	FY 1997	FY 1998	FY 1999
<u>Operating Forces</u>			
Expeditionary Forces	1,623.7	1,561.8	1,659.9
Prepositioning	79.7	81.3	86.8
Total — Operating Forces	\$1,703.4	\$1,643.1	\$1,746.7
<u>Training and Recruiting</u>			
Accession Training	76.6	79.4	81.3
Basic Skills & Advanced Training	184.7	190.0	197.2
Recruiting & Other Training & Education	112.5	112.3	115.1
Total — Training And Recruiting	\$373.8	\$381.7	\$393.6
<u>Admin & Service-wide Support</u>			
Service-wide Support	\$269.5	\$286.1	\$286.9
Total: O&M,MC	\$2,346.7	\$2,310.9	\$2,427.1

OPERATION AND MAINTENANCE, NAVY RESERVE

Table A-8

Department of the Navy
Operation and Maintenance, Navy Reserve
(In Millions of Dollars)

	FY 1997	FY 1998	FY 1999
<u>Operating Forces</u>			
Air Operations	516.5	504.1	584.6
Ship Operations	161.9	140.3	156.3
Combat Operations/Support	80.3	70.0	74.4
Weapons Support	6.1	4.1	5.2
Total — Operating Forces	\$764.8	\$718.5	\$820.5
<u>Admin & Service-wide Support</u>			
Service-wide Support	\$125.4	\$113.6	\$127.7
Total: O&M, NR	\$890.2	\$832.1	\$948.2

OPERATION AND MAINTENANCE, MARINE CORPS RESERVE

Table A-9**Department of the Navy****Operation And Maintenance, Marine Corps Reserve***(In Millions of Dollars)*

	<i>FY 1997</i>	<i>FY 1998</i>	<i>FY 1999</i>
<u>Operating Forces</u>			
Expeditionary Forces	73.8	70.5	76.3
<u>Admin & Service-wide Support</u>			
Service-wide Support	35.9	39.9	40.3
Total: O&M,MCR	\$109.7	\$110.4	\$116.6

ENVIRONMENTAL RESTORATION, NAVY

Table A-10a

Department of the Navy
Environmental Restoration, Navy
(In Millions of Dollars)

	<i>FY 1997</i>	<i>FY 1998</i>	<i>FY 1999</i>
Environmental Restoration Activities	–	277.5	287.6
Total: ERN	–	\$277.5	\$287.6

KAHO'OLAWA ISLAND

Table A-10b

Department of the Navy
Kaho'olawe Island
(In Millions of Dollars)

	<i>FY 1997</i>	<i>FY 1998</i>	<i>FY 1999</i>
Kaho'olawe Island	55.1	10.0	–
Total: Kaho'olawe Island	\$55.1	\$10.0	–

AIRCRAFT PROCUREMENT, NAVY

Table A-11

Department of the Navy
Aircraft Procurement, Navy
(In Millions of Dollars)

	FY 1997		FY 1998		FY 1999	
	<u>QTY</u>	<u>\$</u>	<u>QTY</u>	<u>\$</u>	<u>QTY</u>	<u>\$</u>
AV-8B (HARRIER)*	12	356.0	11	296.6	12	325.1
F/A-18C/D (HORNET)	6	272.0	-	-	-	-
F/A-18E/F (HORNET)	12	2,062.1	20	2,191.6	30	2,874.0
V-22 (OSPREY)	5	659.3	5	541.7	7	660.6
SH-60B (SEAHAWK)	-	10.2	-	-	-	-
E-2C (HAWKEYE)	4	295.4	3	251.5	3	229.7
CH-60 (VERTREP HELO)	-	-	-	31.8	6	163.4
T-45TS (GOSHAWK)	12	288.5	12	254.7	15	298.2
KC-130J	4	205.5	-	-	-	-
Modifications		1,467.3		1,420.2	-	1,500.8
Spares and Repair Parts		817.8		683.4	-	742.4
Support Equipment/Facilities		350.0		355.9	-	389.4
Total: APN	55	\$6,784.1	51	\$6,027.4	73	\$7,183.6

* Remanufactured Aircraft Only

WEAPONS PROCUREMENT, NAVY

Table A-12a

Department of the Navy Weapons Procurement, Navy (In Millions of Dollars)

	FY 1997		FY 1998		FY 1999	
	QTY	\$	QTY	\$	QTY	\$
Missiles						
TRIDENT II	7	314.3	7	339.3	7	318.5
TOMAHAWK	155	103.4	65	51.8	-	132.9
AMRAAM	100	56.4	100	57.1	100	64.2
HARPOON	-	-	-	-	-	-
JSOW	100	81.3	113	58.7	324	128.3
STANDARD	127	216.0	114	196.5	96	231.3
RAM	135	46.9	100	44.1	100	45.9
ESSM	-	-	-	15.5	35	31.4
Other	-	236.2	-	200.4	-	192.0
Torpedoes						
VLA	16	12.7	-	-	-	-
Other	-	97.6	-	95.7	-	100.3
Other						
FLTSATCOM (UHF)	-	110.6	-	-	-	-
CIWS & MODS	-	21.1	-	10.0	-	2.8
All Other	-	61.9	-	76.2	-	77.6
Total: WPN and Navy	640	\$1,358.4	499	\$1,145.3	707	\$1,325.2

Table A-12b

Weapons Procurement, Navy Six-year Plan

	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Missiles						
TRIDENT II	7	7	12	12	12	12
AMRAAM	100	100	100	100	100	100
JSOW	113	324	748	866	1,026	1,075
STANDARD	114	96	106	158	186	198
RAM	100	100	100	100	130	135
ESSM	-	35	108	116	128	206
TOMAHAWK	65	-	-	-	-	-

SHIPBUILDING AND CONVERSION, NAVY

Table A-13

Department of the Navy
Shipbuilding Conversion, Navy
(In Millions of Dollars)

	FY 1997		FY 1998		FY 1999	
	<u>QTY</u>	<u>\$</u>	<u>QTY</u>	<u>\$</u>	<u>QTY</u>	<u>\$</u>
New Construction						
Attack Submarine (SSN-21)	-	631.1	-	153.4	-	-
New SSN	-	775.7	1	2,599.8	1	2,057.8
Destroyer (DDG-51)	4	3,533.5	3	2,823.6	3	2,686.2
Amphibious Assault Ship (LHD-1)	-	-	-	-	-	-
Amphibious Assault Ship (LPD-17)	-	-	-	-	1	756.2
Oceanographic Ships	2	96.7	-	-	-	-
Subtotal	6	\$5,037.0	4	\$5,576.8	5	\$5,500.2
Conversion/RCOH/Acquisition						
AE(C)	1	38.9	-	-	-	-
AFS(C)	-	-	-	-	-	-
Other						
CVN Refueling Overhauls	-	230.3	1	1,707.9	-	236.5
Completion of LSD-52	-	-	-	-	-	-
Service Craft	-	-	-	33.9	-	-
LCAC Landing Craft	-	2.9	-	-	-	-
Outfitting	-	43.8	-	33.2	-	98.3
Fast Patrol Craft	-	-	-	-	-	-
Post Delivery	-	124.7	-	85.1	-	120.6
First Destination Transportation	-	2.0	-	1.3	-	1.4
Total SCN:	7	\$5,479.6	5	\$7,438.2	5	\$5,957.0

OTHER PROCUREMENT, NAVY

Table A-14

Department of the Navy
Other Procurement, Navy
(In Millions of Dollars)

	FY 1997	FY 1998	FY 1999
<i>Ships Support Equipment</i>	805.2	764.7	981.9
<i>Communications and Electronics Equipment</i>	1,042.9	925.8	1,526.6
<i>Aviation Support Equipment</i>	242.9	169.3	233.4
<i>Ordnance Support Equipment</i>	463.6	539.5	730.3
<i>Civil Engineering Support Equipment</i>	38.9	49.5	75.9
<i>Supply Support Equipment</i>	67.0	54.8	112.2
<i>Personnel and Command Support Equipment</i>	26.4	60.9	69.0
<i>Spares and Repair Parts</i>	197.0	248.9	285.9
Total: OPN	\$2,883.9	\$2,813.4	\$4,015.2

PROCUREMENT, MARINE CORPS

Table A-15

**Department of the Navy
Procurement, Marine Corps
(In Millions of Dollars)**

	FY 1997		FY 1998		FY 1999	
	<u>QTY</u>	<u>\$</u>	<u>QTY</u>	<u>\$</u>	<u>QTY</u>	<u>\$</u>
Weapons & Tracked Combat Vehicles						
AAV7A1		12.0		13.5		91.6
Mod Kits (Tracked Vehicles)		0.5		4.5		5.8
LW155		0		0		10.2
Other		20.3		11.3		5.6
Guided Missiles						
Javelin	141	38.2	194	42.1	741	83.4
Pedestal Mounted Stinger		10.5		4.2		0.2
Other		4.7		4.4		2.0
Communication & Electronics						
Third Echelon Test Sets		12.2		12.1		19.7
Data Automated Comm Terminal (Dact)		5.5		1.0		13.0
Radio Systems		42.8		26.9		63.1
Digital Technical Control (DTC)		—		11.6		18.8
Tactical Data Network (TDN)		—		25.6		50.8
Network Infrastructure		12.1		14.0		19.6
Base Telecom Infrastructure		32.1		17.5		16.6
Mobile Electronic Warfare Supt Sys		11.1		14.7		15.1
Intelligence Analysis System (MEF)		6.9		10.3		10.6
Night Vision Equipment		19.5		—		11.8
EPLRS		0		0		24.6
Other		182.0		81.9		60.5
Support Vehicles						
Medium Tactical Vehicle Reman (MTVR)		—		—	240	85.3
Other		28.4		9.5		18.5
Engineer and Other Equipment		99.0		42.0		55.1
Spares & Repair Parts		42.8		27.2		36.6
Total: PMC		\$580.7		\$374.3		\$718.5

PROCUREMENT OF AMMUNITION, NAVY AND MARINE CORPS

Table A-16

***Department of the Navy
Procurement of Ammunition, Navy and Marine Corps
(In Millions of Dollars)***

	<i>FY 1997</i>	<i>FY 1998</i>	<i>FY 1999</i>
<i>Navy Ammunition</i>	151.5	229.0	286.2
<i>Marine Corps Ammunition</i>	132.1	98.8	162.2
<i>Total</i>	<i>\$283.6</i>	<i>\$327.8</i>	<i>\$448.4</i>

RESEARCH, DEVELOPMENT, TEST AND EVALUATION, NAVY

Table A-17

Department of the Navy
Research, Development, Test and Evaluation, Navy
(In Millions of Dollars)

	FY 1997	FY 1998	FY 1999
<i>Basic Research</i>	345.6	382.1	399.7
<i>Applied Research</i>	516.3	491.2	493.2
<i>Advanced Technology Development (ATD)</i>	497.0	432.4	451.0
<i>Demonstration & Validation (DEM/VAL)</i>	1,934.0	2,139.1	2,336.3
<i>Engineering & Manufacturing Development</i>	2,157.1	2,090.4	2,110.8
<i>RDT&E Management Support</i>	675.1	593.9	610.2
<i>Operational Systems Development</i>	1,806.5	1,487.5	1,622.5
Total: RDT&E,N	\$7,931.6	\$7,616.6	\$8,023.7

NATIONAL DEFENSE SEALIFT FUND

Table A-18

Department of the Navy
National Defense Sealift Fund
(In Millions of Dollars)

	FY 1997		FY 1998		FY 1999	
	<u>QTY</u>	<u>\$</u>	<u>QTY</u>	<u>\$</u>	<u>QTY</u>	<u>\$</u>
Sealift Acquisition	5	1,117.9	2	812.9	1	265.4
Research & Development	-	8.4	-	6.4	-	6.9
Ready Reserve Force	-	265.8	-	302.0	-	284.2
DoD Mobilization Assets		—		70.1		65.9
Total: NDSF		\$1,392.1		\$1,191.4		\$622.4

MILITARY CONSTRUCTION, NAVY AND NAVAL RESERVE

Table A-19

**Department of the Navy
Military Construction**
(In Millions of Dollars)

	FY 1997	FY 1998	FY 1999
<i>Significant Programs</i>			
Operational & Training Facilities	161.0	83.5	82.7
Maintenance & Production Facilities	92.5	67.1	38.9
R&D Facilities	24.8	31.8	14.5
Supply Facilities	6.0	28.0	30.5
Administrative Facilities	2.5	6.1	16.5
Troop Housing Facilities	273.8	180.6	133.4
Community Facilities	29.5	20.6	16.8
Utility Facilities	28.1	32.6	41.4
Pollution Abatement	33.9	37.3	45.9
Unspecified Minor Construction	5.1	10.0	10.3
Planning And Design	49.9	42.5	51.3
General Defense Intel Program			
Total: Navy	\$707.1	\$540.1	\$482.2
Total: Naval Reserve	\$37.6	\$13.9	\$15.3

FAMILY HOUSING, NAVY AND MARINE CORPS

Table A-20

Department of the Navy
Family Housing, Navy and Marine Corps
(In Millions of Dollars)

	FY 1997	FY 1998	FY 1999
Navy			
Construction	392.9	199.5	253.9
O&M	861.7	831.0	788.6
Total: Navy	1,254.6	1,030.5	1,042.5
Marine Corps			
Construction	107.0	79.5	34.0
O&M	159.9	145.4	153.1
Total: Marine Corps	266.9	224.9	187.1
Total: FH,N&MC	\$1,521.5	\$1,255.4	\$1,229.6
New Construction Projects			
Navy	12	1	2
Marine Corps	9	3	—
New Construction Units			
Navy	1,698	—	312
Marine Corps	490	470	—
Average Number Of Units			
Navy	69,337	65,266	62,094
Marine Corps	25,350	25,651	24,664

BASE REALIGNMENT AND CLOSURE ACCOUNTS

Table A-21

Department of the Navy
Base Realignment and Closure Accounts
(In Millions Of Dollars)

COSTS	FY 1997	FY 1998	FY 1999	
BRAC II	99.3	61.6	43.1	
BRAC III	* 775.7	**522.5	302.3	
BRAC IV	397.6	***410.6	293.5	
Total	\$1,272.6	\$994.7	\$638.9	
SAVINGS	FY 1997	FY 1998	FY 1999	Annual Steady State
BRAC II	649.0	465.7	465.7	465.7
BRAC III	985.4	1,224.4	1,359.8	1,359.8
BRAC IV	480.1	674.8	643.2	731.5
Total	\$2,114.5	\$2,364.9	\$2,468.7	\$2,557.0

* Includes \$47 million in Operation and Maintenance, Navy funds

** Includes \$1.8 million in Operation & Maintenance Navy funds

***Includes \$2.9 million in Operation & Maintenance Navy funds

NAVY WORKING CAPITAL FUND (NWCF)

Table A-22

SUMMARY OF NWCF COSTS (IN MILLIONS OF DOLLARS)

	FY 1997	FY 1998	FY 1999
COST			
Supply (obligations)	6,067.2	6,582.2	5,312.4
Depot Maintenance - Aircraft	1,543.9	1,618.7	1,712.2
Depot Maintenance - Ships	2,344.7	2,096.4	1,923.9
Depot Maintenance - Marine Corps	179.7	169.2	145.6
Ordnance	535.7	256.0	221.9
Transportation	1,233.0	1,243.5	1,345.0
Research and Development	7,062.5	6,640.4	6,544.0
Information Services	237.5	212.7	208.3
Base Support	2,031.3	1,822.4	1,748.0
TOTAL	\$21,235.6	\$20,641.4	\$19,161.4
CAPITAL INVESTMENT			
Supply Operations	29.7	31.0	35.1
Depot Maintenance - Aircraft	53.4	30.1	54.1
Depot Maintenance - Ships	47.6	37.0	41.2
Depot Maintenance - Marine Corps	6.7	3.6	3.4
Ordnance	9.6	6.4	3.6
Transportation	1.3	1.2	0.5
Research and Development	112.8	118.3	121.1
Information Services	0.9	1.5	0.5
Base Support	18.5	19.3	16.8
TOTAL	\$280.4	\$248.4	\$276.2

CIVILIAN MANPOWER

Table A-23

**Department of the Navy
Civilian Manpower
Full-time Equivalent**

	FY 1997	FY 1998	FY 1999
Total — DON	224,058	215,230	211,847
<u>By Service</u>			
Navy	205,516	196,641	196,668
Marine Corps	18,542	18,589	18,179
<u>By Type Of Hire</u>			
Direct	213,281	204,207	200,914
Indirect Hire, Foreign National	10,777	11,023	10,933
<u>By Appropriation/fund</u>			
Operation and Maintenance, Navy	86,879	85,135	85,297
Operation and Maintenance, Navy Reserve	2,456	2,349	2,267
Operation and Maintenance, Marine Corps	16,424	16,575	16,386
Operation and Maintenance, Marine Corps Reserve	161	161	161
Total — Operation and Maintenance	105,920	104,220	104,111
Total — AFWCF	419	414	421
Total — NWCF	112,647	105,820	102,757
Military Construction, Navy	3,104	2,883	2,701
Research, Development, Test & Evaluation, Navy	1,892	1,819	1,783
Military Assistance	76	74	74
Total — Other	5,072	4,776	4,558
<u>Special Interest Areas</u>			
Fleet Activities	30,315	30,109	31,499
Shipyards	23,210	21,110	19,439
Aviation Depots	11,994	11,934	11,919
Supply/Distribution/Logistics Centers	7,570	7,316	7,128
Warfare Centers	40,174	39,337	38,435
Defense Printing	—	—	—
Engineering/Acquisition Commands	22,826	21,360	20,160
Medical	11,323	10,887	10,465

GOVERNMENT PERFORMANCE AND RESULTS ACT (GPRA)

Table A-24

Department of Defense Corporate Goals

The Government Performance and Results Act (GPRA) of 1993 requires government agencies (e.g. Department of Defense (DoD)) beginning with submission of the FY 1999 President's Budget to develop and submit a strategic plan and performance plan. The Quadrennial Defense Review (QDR) serves as the DoD's Strategic Plan.

Within the Department of the Navy, GPRA implementation will be accommodated through the established Planning, Programming and Budgeting System (PPBS) process. PPBS accommodates the goals and objectives across the broad spectrum of DON missions. In anticipation of OSD direction, efforts are underway within the Department to develop a DON strategic plan which links to the strategy contained in the QDR.

The information provided below provides a reference to performance information contained in this document relative to specific DoD Corporate level goals. Additional performance information is contained in budget justification materials supporting the FY 1999 OSD/OMB Budget Estimates Submission

GOAL 1: Shape the international environment through DOD engagement programs and activities:

- ◆ Support friends and allies by sustaining and adapting security relationships
- ◆ Enhance coalition warfighting
- ◆ Promote regional stability
- ◆ Prevent or reduce threats and conflict

Joint Exercises 2-2, 2-13
 Personnel Stationed Overseas 2-2

GOAL 2: Shape the international environment and respond to the full spectrum of crises by providing appropriately sized, positioned and mobile forces:

- ◆ Support US regional security objectives
- ◆ Deter hostile actors/activities in peacetime and in times of crisis
- ◆ Conduct multiple, concurrent smaller-scale contingencies
- ◆ Fight and win two nearly simultaneous major theater wars

Navy Battle Force Ships	2-1
Ship Steaming Days per Quarter	2-2
Reserve Battle Force Ships	2-3
Strategic Sealift Surge Capacity	2-5, 3-4
Ship Depot Maintenance	2-6
Naval Aviation Forces	2-8
Aircraft Primary Mission Readiness (PMR)	2-10
Aircraft Depot Maintenance	2-11
Marine Corps Land Forces	2-13
Marine Corps Reserve Land Forces	2-13
Navy Personnel End Strength	2-14
Marine Corps Personnel End Strength	2-15
Navy Reserve Personnel End Strength	2-17
Marine Corps Reserve Personnel End Strength	2-18

GOAL 3: Prepare now for an uncertain future by pursuing a focused modernization effort that maintains US qualitative superiority in key warfighting capabilities.

Acquisition Reform	3-1
Shipbuilding and Conversion Programs	3-2, A-13
Aviation Programs	3-5, A-11
C ⁴ I	3-7, 3-11
Marine Corps Programs	3-8
Weapons Programs	A-12, A-15
Science & Technology	3-11, A-17
Systems Development	3-11, A-17

GOAL 4: Prepare now for an uncertain future by exploiting the Revolution in Military Affairs to transform US forces for the future.

Shipbuilding Programs	3-2, A-13
Strategic Sealift	3-4
Aviation Programs	3-5, A-11
C ⁴ I	3-7, 3-11
Marine Corps Programs	3-9
Weapons Programs	A-12, A-15
Science & Technology	3-11, A-17
Systems Development	3-11, A-17

GOAL 5: Maintain highly ready joint forces to perform the full spectrum of military activities:

- ◆ Maintain high personnel and unit readiness
- ◆ Recruit and retain well-qualified military and civilian personnel
- ◆ Provide equal opportunity and a high quality of life
- ◆ Improve force management procedures throughout DOD

OPTEMPO	2-2
Primary Mission Readiness	2-10
Military Personnel Compensation	2-14, A-2, A-3, A-4, A-5
Navy Enlisted Accessions	2-16
Navy Reenlistments	2-16
Marine Corps Enlisted Accessions	2-16
Marine Corps Reenlistments	2-16
Housing and Community Facilities	2-14, A-19, A-20
Military Continuing Education Support	2-14
Civilian Personnel	4-5

Goal 6: Fundamentally reengineer the Department and achieve a 21st Century infrastructure by reducing costs and eliminating unnecessary expenditures while maintaining required military capabilities across all DOD mission areas.

Acquisition Reform	3-1
Base Closure and Realignment	4-1, 4-2
Navy Working Capital Fund	4-3, 4-4
Civilian Personnel	4-5
Competition and Outsourcing	4-8